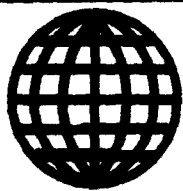


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7 JUNE 1990



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# ***JPRS Report***

## **East Europe**

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# East Europe

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## INTRABLOC

### Romanian Refugee Flow to Hungary Seen Unabated

90CH0146A Budapest MAGYAR HIRLAP  
in Hungarian 3 Apr 90 pp 1, 6

[Article by Attila Voros: "Transylvanian Refugees Are Scared: Hajduszoboszlo Camp Fills Up Once Again"]

[Text] I thought that I would never again have to put down on paper the term Transylvanian refugee! My hope did not come true, and now the term must even be expanded: those who have just arrived from Transylvania, like B. K., who crossed the green border and swam across a river during the night between Sunday and Monday, and became the real refugees. Upon his arrival, B. K. reported at "Patakvolgyi's" in Hajduszoboszlo. He was assigned a bed and was given food, and now he is worried and waiting, and what's worst: He is scared!

"Fear is with us," Rudolf Patakvolgyi, director of the Hajduszoboszlo refugee camp, said. A few weeks or few months ago he was "afraid" that he and his staff would be out of work. "They arrived with some delay," he continued, "we expected them two days earlier, i.e. immediately after the Marosvasarhely [Tirgu Mures] pogrom atmosphere evolved."

It turned out during the conversation that prior to the revolution the new arrivals at Hajduszoboszlo came mainly from settlements along the border, only on occasion could one find people from the interior of Transylvania. At that time the majority of refugees were blue collar and agricultural workers; now there are also some members of the intelligentsia and students.

I strike up random conversations in the corridor. A young man who appears to be willing to talk first tells the story of the horror he saw at Marosvasarhely, then he recalls with tears in his eyes:

"Of course we ran! ... Of course we ran from the angry and drunken crowd holding pitchforks. At that point I felt that all was lost! Understand this; this is the truth! I will tell you that many Gypsies from Marosszentgyorgy, from the Endre Ady district, and from Hidegvolgy [Romanian name unknown] were there with us, Hungarians on the barricades. And what will happen now? They will be charged under Law No. 153, because in a base and inhuman manner the Romanians announced that during that night the Gypsies had robbed the hotel in Marosvasarhely."

"And where did you come from," I asked the boy.

"Right here from next door, from Varad [Nagyvarad, Oradea]."

"But Varad is quiet, it's calm."

"Perhaps many things cannot be heard all the way in Budapest. But you know, I've seen it: They took the

Hungarian youth newspaper MAJOMSZIGET away from the newspaper boy, and chased the youth away...."

"And they ignited the entrance to my apartment because they saw that my name was Hungarian," a man says. "If you want to know why we are leaving Romania which is in the process of democratizing, well, this is it."

Everyone has his own story to tell. Unfortunately, all these stories refer to events after 22 December 1989. One man's life has been threatened because he gathered the Hungarians in the village. And because he disregarded the death threat, they surrounded him on his way home late one evening. They grabbed him by the neck, then tightened their grip, just for the sake of emphasis and clear understanding. And he obeyed. With a passport he received amazingly fast he left for Hajduszoboszlo, a place which will be filled soon, according to the director.

And I am not amazed. After all, the people from both Nagyvarad and Marosvasarhely told the story that civilians are walking the city streets and requesting passersby to present their "bulletin," i.e. their personal identification. There is great trouble if one does not have identification, but it is even worse if they see an identification card with a Hungarian name. It is virtually 100-percent certain that such a person will be struck, receive a thorough beating, according to a student at the academy. While it was not easy to be Hungarian prior to the revolution, at least they did not harass many, the simple blue collar workers. The situation has changed. By now anyone who has never been involved in politics, but has built walls as a mason, or has tanned leather in a tannery, or has taught school must be scared.

"What do you think, what else could follow," I asked the 15-20 people who by then had gathered around me.

"Blood, tears, fear, and worrying, ... fearing even you."

"Me?"

"Yes. The other day Netherlands television was here, and the family members left behind in Romania of those who were interviewed have already been harassed by the authorities, because they know, and there are no borders in the path of news. Yes sir, it was embarrassing to run at that time in Marosvasarhely, nevertheless we ran. It is a shame that as adults we must be afraid, but as you see, this is our fate...."

Upon their arrival the refugees are examined by a trained health care worker. This is followed by debriefing, which goes into details, of course.... I don't know! This will certainly not be in vain, if for no other reason because inside the camp there are many emotional ups and downs. The word "Szekus" [Securitate] may quickly spread.

"Does it occur?" I asked the head of the local refugee affairs office.

"Well ... Yes. Their are recognizable signs of such activity."

A short young man enters the room.

"How old are you?"

"Twenty. I tried already in 1988. At that time I returned in shackles. Just what happened to me there, well, I shouldn't say this...." then spitefully there emerge the stories about the rifle butt, the loss of teeth, and other sufferings, all of which belong to the past because here a new life begins.

True, our dear friend, a new life begins here, but what will happen during that time on the other side? And here, when can we forget this term: Transylvanian refugee?

### **Bulgarian National Assembly Discusses Macedonian Issue**

90BA0077A Sofia DURZHAVEN VESTNIK  
in Bulgarian 13 Mar 90 pp 9-10

[Declaration of the National Assembly in connection with the letter of the chairman of the National Assembly of the Socialist Federal Republic of Yugoslavia]

[Text] The National Assembly of the Bulgarian People's Republic expresses concern caused by the anti-Bulgarian campaign mounted in the Yugoslav Socialist Federal Republic and, particularly, the Socialist Republic of Macedonia, as manifested in the appeal addressed by the Yugoslav Parliament to the Bulgarian Parliament, dated 14 February 1990. This appeal links the democratization of political life in our country with the unfounded demand of guaranteeing the rights and freedoms of the "Macedonian national minority" in Bulgaria, as described by the Yugoslav side.

Guided by the sincere aspiration of strengthening peace, security, good neighborly relations and cooperation in the Balkans and on the European Continent, the Bulgarian People's Republic has made a great effort to assert in its relations with the Yugoslav Socialist Federal Republic a climate of trust and understanding. It made it clearly understood that it is ready to engage in extensive mutually profitable cooperation with the Socialist Republic of Macedonia as well, by having taken specific steps in this direction.

A major success in relations between Bulgaria and Yugoslavia was the agreement in principle which was achieved, so that disputes between the two neighboring countries, which are the legacy of a tragic past, may not to be a hindrance to the development of bilateral cooperation. Both the Bulgarian people and the Yugoslav peoples can be satisfied with the specific results of the application of this approach.

The intensified attempts at exerting pressure on Bulgaria of late and specifically the address of the National Assembly of the Socialist Federal Republic of Yugoslavia indicate, regrettably, that the Socialist Federal Republic of Yugoslavia has neither understood nor assessed properly either this approach or the essence of

the democratization of overall life in Bulgaria. A sensitive problem is becoming topical. This requires the National Assembly of the Bulgarian People's Republic to shed the necessary light on the problem, proceeding from the sincere aspiration for the development of Bulgarian-Yugoslav relations to be laid on a firm foundation—the foundation of historical truth.

The Macedonian problem has a history of more than 100 years. The majority of the Macedonian population defined itself as Bulgarian as early as the 19th century, in the course of the struggle waged by the Bulgarian people for national liberation from Turkish slavery. The clearest manifestation of its national spirit was the mass church, educational and powerful national liberation movement.

The attempts at resolving national problems in the Balkans by the force of arms gave new dimensions to the Macedonian problem. The division of Macedonia in 1913 put the majority of the Bulgarian population in the area under foreign assimilationist domination. In the 1930's, under the pressure of the Yugoslav Communist Party in the Comintern, the concept of a separate "Macedonian nation" was imposed. After World War II, the leadership of the Federal People's Republic of Yugoslavia proclaimed that the resolution of the "Macedonian problem" is possible only within its own borders. Yugoslav ambitions were manifested also toward Bulgaria. In the 1946 and 1956 census, through the use of gross administrative and political pressure, most of the Bulgarians in Pirin Macedonia were registered as Macedonians. However, as a result of their mass opposition, the policy of coercive Macedonization failed.

Immediately following the creation of the Macedonian People's Republic, as part of the Yugoslav Federation, in the aspiration to motivate the establishment of the Macedonian nation on an anti-Bulgarian basis, a separate "Macedonian language" was proclaimed to exist. An attempt was made also against a number of the most sacred dates, events and personalities of the centuries-old history of the Bulgarian people.

For decades on end the authoritarian regime imposed a ban on overall scientific interpretation of the Macedonian problem in our country. The problem of the destinies, rights and freedoms of the Bulgarian population in Yugoslavia was also groundlessly ignored. Unfortunately, this problem failed to find a just resolution consistent with contemporary international standards. In this connection, the National Assembly of the Bulgarian People's Republic and the entire public deem it their right to express their concern concerning the status of this population and its guaranteed opportunity for free self-determination and expression of national awareness and autonomy.

The spontaneous nationwide reaction of indignation caused by the new anti-Bulgarian campaign on the Macedonian problem, initiated in the Yugoslav Socialist Federal Republic, and the statements of the various parties, organizations and movements in our country

indicate that there is no public force in the Bulgarian People's Republic which will accept the misrepresentation of our national history and the appropriation of our historical and cultural legacy. Attempts at shaping and establishing a nation within the framework of the Macedonian Socialist Republic on an anti-Bulgarian basis and the related improper demand to recognize a nonexistent "Macedonian national minority" in the Bulgarian People's Republic are doomed to failure. There are neither historical, nor legal or any other grounds to seek the existence of such a minority. All actions in this respect, undertaken by the Yugoslav Socialist Federal Republic cannot and will not be considered, in the future as well, as anything other than an interference in domestic affairs and an encroachment on the national sovereignty and as a territorial claim against our country.

Once again the National Assembly of the Bulgarian People's Republic proclaims its profound conviction that the processes of democratization in the Bulgarian People's Republic and the Yugoslav Socialist Federal Republic, under the conditions of the new political realities in the Balkans, in Europe and throughout the world, create opportunities for equal and constructive dialogue and good neighborly cooperation. The National Assembly expresses its readiness and sincere wish for joint work for the further development of trust and reciprocal respect between the Bulgarian and Yugoslav peoples and the assertion of peace and friendship between the peoples of the two countries.

The present declaration was adopted by the Ninth National Assembly, 15th Session, Third Sitting, held on 6 March 1990 and was stamped with the state seal.

Chairman of the National Assembly of the Bulgarian People's Republic: St. Todorov

## CZECHOSLOVAKIA

### Slovak Christian Democrats Support Political Independence

90CH0131B Vienna DIE PRESSE in German  
9 May 90 p 4

[Interview with Vladimir Horvath, party secretary of the Slovak Christian Democratic Party, by Wolfgang Boehm; place and date not given: "For an Independent Slovakia in Europe"]

[Text] [Boehm] Mr. Horvath, you are the secretary for Political Matters of the Slovak Christian Democratic Party. What chances do you see for your political movement at the first free elections in Slovakia on 8 June?

[Horvath] I think our chances are very good. However, more than half of our voters are still undecided today. It is certain that no party can count on gaining an absolute majority. In Bohemia and Moravia, a Christian Social Union has been formed out of several Christian Democratic splinter groups. This coalition is presently the

second strongest force behind the Civic Forum. In Slovakia our Christian Democratic Party can count on getting the most votes. The Civic Forum's "Public Against Violence" (VPN) has established itself as the second strongest grouping. The communists will probably win only slightly more than 10 percent of the vote. VPN has just under 20 percent at the moment, the Christian Democrats slightly more than 20 percent.

[Boehm] Has the visit by the Pope last April contributed to the popularity of the Christian Democratic Party?

[Horvath] The visit by the Pope has primarily contributed to the stabilization of the political situation. He certainly strengthened the popularity of our movement, because he directed the eyes of the nation toward the world of Christianity.

[Boehm] Separatist tendencies are currently recognizable in many East European reform countries. In Czechoslovakia too, nationalist forces in both parts—Czech and Slovak—are asking for a split-up of the state. What line of thought do the Christian Democrats follow in this matter?

[Horvath] We are advocating economic independence for Slovakia. Certainly, there will nevertheless be strong ties between the economies of both parts of our state. In addition, we are in favor of Slovak independence in the areas of health, education, and culture and demand a certain amount of codetermination in foreign policy matters.

[Boehm] Will such a policy not exacerbate tensions between the population groups?

[Horvath] No, the only objective is for us not to be disadvantaged. We are certainly in favor of continued cooperation.

In Slovakia there are three universities which are accredited in all of Czechoslovakia. Two-thirds of their students come from the Czech part; only one-third from Slovakia. The costs of that two-thirds of Czech students are borne by the Slovak budget. In Bohemia and Moravia there is no university where only one-third of Slovak students are studying. In the future, everyone should pay for their own students.

It is a similar situation with taxes. Many Slovaks work in the Czech part and pay their taxes there. We want for those taxes to flow to their home communities in the future, and thus to benefit Slovakia.

[Boehm] Do you consider it possible that nationalist tensions will some day lead to Czechoslovakia's splitting into two separate states?

[Horvath] This question cannot be answered unequivocally. The idea of a common European roof will counteract such tendencies and will contribute to a general integration in Europe. But this question will certainly depend on the evolution of popular opinion.

[Boehm] A movement is discernible in your country directed toward Europe. What ideas does your party have concerning Czechoslovakia's integration into Europe?

[Horvath] We are in favor of European integration. Nevertheless, we wish to emphasize Slovakia's autonomy. Getting closer to the EC, which we want, will depend primarily on our future economic situation. I can visualize our becoming a member of the EC in about 1995. First, however, we must succeed in gaining our own economic independence.

### **Czech Socialists Still Opposed To New Name Of Republic**

90CH0073A Prague SVOBODNE SLOVO in Czech  
21 Apr 90 pp 1, 3

[Article by Sister B. Hykova: "We Have Not Changed Our Opinion"]

[Text] Allow me in this space to explain the position of the Delegate Club of the Czechoslovak Socialist Party concerning the issue of the name of our country. I would like first of all to emphasize that we consider the name of a country to be such a serious matter that it should not be subject to constant changes. Therefore the delegates of our party stand uniformly behind the original proposal of the president of the republic, that the name be the Czechoslovak Republic. This name reflects our historical traditions and has international recognition. At the last plenary session of the Federal Assembly, in order to accomodate certain republic interest groups, we accepted a motion to change the name to Czechoslovak Federal Republic. We did not agree, however, with the official justification for this change, because we felt that it implied that the way the name is expressed is more or less a question of the language of one or another of the peoples.

This was accompanied by an outburst of passions and emotions, and consideration was given to declaring an independent Slovak state. Even though these considerations did not predominate, they were by far the most hurtful for us. After all, if all our Czechoslovak mutuality can be turned to nothing over the question of the name of the country, then something is very wrong in the relationship of the Slovak people to our common country. Czechs, Moravians, and Silesians could certainly also express numerous reservations and complaints concerning the current way our pseudofederation functions. No one, however, even considered declaring an independent Czech state. It is necessary to state here that there are certain boundaries that should not be crossed, in order not to destroy the self-respect of a people. Playing games with these issues is very dangerous, and we must not permit these peripheral questions to drag more fundamental questions along with them. To do so would make for too fragile a union.

We would like to make clear that while, on the one hand, we consider the name Czechoslovak Republic to be the

most appropriate, on the other hand we have been consistent, and I would say emphatic supporters of full republic self-government and financial independence, implemented by comprehensive tax laws. Clearly these questions have nothing to do with the name of our country.

Likewise, we do not want to hide the fact that a continuing preoccupation with this issue will be in the interests of certain groups and certain politicians and—we cannot rid ourselves of this impression—who wish to divert the attention of our society from its more important and critical problems. *Cui bono*, who profits from this state of affairs? Clearly, for instance, politicians about whom entirely different issues would arise if the name question were not on the floor. Our interest in maintaining our suggested name comes also from our history as the party that formed the country, because we consider it totally inappropriate to change constitutional laws on this issue on a weekly basis.

The proposed name of our country will also clearly lead to many conflicts in standard nomenclature. For instance, if this name is adopted it is more or less certain that all institutions that should indicate a nationwide scope would have to change the current adjective Czechoslovak to Czech and Slovak. This will lead to absurd situations that will verge at times on the comic. We must also recognize that the new name of the country will cause significant problems abroad.

Nor can it be ruled out that arguments over the name of the country are only the tip of the iceberg and indicate that there are groups that want the Czechoslovak Republic to fall apart. Delegates from our party have been subjected to significant pressure from official political institutions to come around to support the name Czech and Slovak Federal Republic. It was even pointed out to us that if we did not change our view we would break up the republic because separatist trends in Slovakia are strong and a failure to adopt the new name would give these groups a pretext to declare an independent Slovak state. We cannot rid ourselves of the impression that what is going on here is a search for a pretext, and that processes are in motion that have as their objective nothing less than the division of our country. Just as the Sarajevo assassination was not the direct cause of the first world war, the failure to adopt a new name cannot be the actual cause for the breakup of the country. We would like to emphasize in this regard that Czechs, Moravians, and Silesians would be hurt if the country breaks up. Our feeling is, though, that it would hurt our Slovak brothers even more. No one wants to take away from them, though, their right to a free election.

We truly do not wish to inject any disharmony into the discussions, even though right now I can imagine various emotional speeches attacking our position. We are not the ones who are bringing this issue to the floor again and again, we are not the ones who would be to blame for any decision. I have already noted that we have been subject

to pressure from several angles. We think that if we are to build a democracy one of its fundamental characteristics will have to be respected, the right of free expression of ideas. We are not denying anyone the right to advocate the opinion that the name Czech and Slovak Federal Republic should be the name of our country, and we refuse to allow anyone to deny us the same right. When we hear that by having opinions that differ from others we are playing into the hands of the forces of darkness, we begin to ask whether or not we are returning to totalitarianism. Our party and its delegates have been receiving many indications, from Slovakia as well, that we should continue to argue for the retention of the name in the Masarykian sense of the Czechoslovak Republic. It seems to us that it is absurd to consider it undemocratic for delegates to respect the wishes of those that elected them. What have we come to? Do we want the entire parliament and country to have the same opinion? Despite the emotional outbursts, despite reservations, we are aware of the true convictions of most of our constituency, and will not change our opinion.

#### **Slovaks Voice Criticism of New Republic Name**

90CH0131A Vienna DIE PRESSE in German  
17 Apr 90 p 4

[Article by Charlotte Grabner: "No More Appendix to Bohemia"]

[Text] Bratislava—Slovak delegate and author Vladimir Minac is outraged: "I cannot believe that a parliament can act in such a despicable manner!" Prague's decision of 29 March, to change the name of the state to "Czechoslovak Federated Republic" continues to raise tempers in the eastern sister republic. Even though tomorrow, Wednesday, the name will change to "Czech and Slovak Federated Republic."

The Slovak population—and not only "a few extremists," as the people in Prague think—is in agreement: they no longer want to be "an appendix to Bohemia."

Antonia Raduska, a worker from Bratislava, says: "It is about time that there is a change! The 'S' should be capitalized in the name." Mechanic Jozef Renac offers this: "What do you suppose the Czechs would say if it was called the 'Slovakoczech Republic'?" The man in the street is in no mood for pacification by the authorities.

Until now, President Havel has been the only one to show some insight in the argument about the name. "The missing hyphen is for the Slovak nation a symbol of the fact that its national identity has never really been acknowledged."

Prague's decision is being criticized by almost all the Slovak parties and organizations. Thus the "Strana Slobody" (Freedom Party) talks about a "70-year backward leap" and a return to "Czechoslovakism."

In the 1918 Treaty of Pittsburgh, the Czechs and Slovaks had agreed to a federation of the two peoples. However,

in view of Bohemia's higher state of development, Slovakia soon found itself at a disadvantage. While the Czechs sent consultants to render development assistance, all they did was enrich themselves.

Slovakia's administration was gradually "Czechified": out of 8,000 civil servants, only 200 were Slovaks. In the schools, half the teachers were Czechs whose open anticlericalism deeply offended the devout Catholic population. Even today the Slovaks think that the policy of "Hungarianization" during the 50 years prior to 1918 had been less traumatic and humiliating.

The communists perpetuated "Czechoslovakism," though in a subliminal way. Thus for instance there was a "Slovak Communist Party," but no Czech opposite number. Prague was the headquarters of the "Czechoslovak Communist Party," into which the Czech party had been integrated. Inasmuch as the state-wide body had precedence, the Slovak comrades were always subject to its decisions. This double strategy was applied to the entire public domain. "Autonomy" degenerated into formalism.

The new regime in Prague continues to trample upon national sensitivities. Czech Prime Minister Pithard says in VEREJNOST, the paper of the Slovak citizens' movement "Public Against Violence": "The Czech Republic is weak, because Prague is the capital of the entire state and the Czechs have nonchalantly forgotten about Czech interests. They have subordinated them to the interests of the overall state."

This statement caused a lot of head-shaking among the Slovaks. Said the Slovak Librarians' Association caustically: "When the Czechs make national demands, this is called 'patriotic.' The same demands made by Slovaks are dismissed as 'separatist!'"

The economic imbalance also is fuel for the fire of nationalist resentment. Slovakia feels that the Central Planning Authority in Prague is largely reducing it to a supplier of semi-finished goods and raw materials. The massive buildup of the chemical industry has made Bratislava into a "stinkpot." "The money stays in Prague; the filth in Bratislava."

With its population share of 33.6 percent, Slovakia produced 43.5 percent of the gross national product, according to statements from Bratislava. The average monthly salaries however are 50 korunas lower. Industrial workers earned 110 korunas, construction workers 130 korunas less than their Czech counterparts. In some lines of work the difference is said to be as much as 200 korunas, at equal prices.

The efforts to be different from the Czechs can be seen on the streets also. While in Bohemia and Moravia all the walls are plastered with Masaryk posters, the founder of the state is invisible in Slovakia.

Instead, the name "Hlinka" can be seen inscribed on the wall of Bratislava's castle. As long ago as the last decades



of the Danube monarchy, the Reverend Andrej Hlinka had been the power behind the Slovak nationalist movement.

### Slow Progress in Repossessing StB's Safe Houses

90CH0049A Prague KVETY in Czech 22 Mar 90 pp 8-9

[Article by Eva Hirshova: "News on the Repossession of Safe Houses"]

[Text] Insufficient information and ignorance give rise to superstitions, myths, and conjectures. There were always a lot of rumors about the Ministry of the Interior, and particularly around its organ that officially no longer exists—State Security [StB]. Some of them were confirmed (there really were listening devices in hotels, the mail was, in fact, opened), some were exaggerated (the President's airplane from the Ministry of the Interior's airforce does not have Finnish leather seats or a bar), others were neither confirmed nor disproved. And now that all the information has been sealed, it appears that the favorite pastime at office parties and on long business trips will remain with us for a long time: we can continue to play the detective game: "Guess, guess, guess: who's the spy among us?" Nevertheless, things are beginning to get brighter.

Further salutary and calming rays of light were thrown into dark corners through the decision made by Richard Sacher, Doctor of Law, Federal Minister of the Interior, about the repossession of safe houses.

What did Jan Balsa, Press Secretary of the Ministry of the Interior, have to say about this?

"Safe houses were used by the employees of the State Security Intelligence Service to meet fellow employees. Most of them were category III or IV apartments; small apartments and some studio apartments belong to category I. Since State Security was abolished, the Federal Ministry of the Interior (FMV) is returning 240 apartments to the National Committees. All the apartments, most of which are understandably in Prague, are to be handed over by 15 February."

I talked with the Press Secretary of the FMV, Jan Balsa, on Wednesday, 7 February. On Thursday 8 February I went to the Housing Administration 3 of the Accommodation Office Prague 1 to request a key to a category I apartment at 46 Dlouha Street, which I had chosen at random, along with seven others, from a long list at the Ministry of the Interior. The manager of the office, Eng. Karel Erben, was, admittedly, very obliging, but he could not help me. Though there were only four working days left to the deadline by which all keys should have been handed over, he did not have the key from a single one. To tell the truth, he did not even know how many safe houses there were in the district administered by the Housing Administration of which he was manager. He and the employees studied my "excerpt" from the list with interest. And they compared it with an internal communication recently sent by the management of

Accommodation Office Prague 1. It listed "suspect apartments"—which had a high turnover of tenants, and apartments that were vacant, according to the other tenants. Strangely, not one of the apartments on their list agreed with mine.

"Our list is not based on anything specific, just on impressions. People did notice lots of things, you know, but the moment they realized that the Ministry of the Interior was involved, they preferred to keep quiet. Anyway, before November it would have led nowhere," the Administration employees agreed. And they pointed out a "suspect" apartment in Celetna 3, belonging to SK VTIR [expansion not given], where allegedly people "work" late into the night, and one on L. Svobody Quay, where P. Colotka occasionally stayed, and added that this apartment should surely be available for the people now.... It seems that an entire book, forget about a newspaper article, could be written about strange apartments. I promised that Kvety would return to "the apartments behind the scenes," and I set out for the next stop in the quest for safe houses.

Of the eight apartments I had selected at the Ministry of the Interior, four were in the 6th Prague district. However, Vaclav Jaros, Deputy Director of the Prague Apartment Allocation Department (OPBH) in Prague 6 did not raise my spirits. The keys from three of the apartments that fell under the administration of the OPBH (one in the People's Apartment Cooperative building) were still in the hands of members of the Ministry of the Interior on the day of my visit, 15 February, in other words the day they should all have been handed over.

"I think that the Federal Ministry of the Interior should supply us with a list of apartments it intends to return to us," says Vaclav Jaros. "I still haven't received anything like that. I don't know how many safe houses there are in our district, or how many are to be returned. In fact, I don't know anything about it at all."

However, after calling several Apartment Allocation Offices in the district, Vaclav Jaros was able to offer me one apartment to inspect. It was a category III apartment and was located at Kujbysevov 12. The first swallow had arrived after all. How many more will follow? Will they all really be safe houses? Will people stop pointing to various little towers where the "cops" allegedly have their instruments? Will they stop looking suspiciously at the apartments belonging to members of the Ministry of the Interior in the town house development at Pionyrův Street, which was nicknamed the "development of the cudgels"? Will showing empty State Security buildings on television, returning the keys of several apartments (even if at a very sluggish rate compared to the set deadline) suffice to regain trust?

I will have an appointment with Dr. Lubos Cisar, the manager of the Apartment Allocation Department of the Okres National Committee (ONV) in Prague 1 on Friday, 16 February. Exactly one week ago the Department's secretary received a hand-delivered list of the

FMV's service apartments in the Prague 1 district from the Ministry of the Interior. The signature under the circular seal and type-written word "director" is totally illegible. Below the list of 38 apartments the following has been written: "The aforementioned apartments are meant to be handed over to the appropriate authorities of the OPBH in Prague 1 by 15 February 1990 in compliance with the decision of the Ministry of the Interior of the CSFR. But I would like to point out that some of the aforementioned apartments were vacated and handed over during December 1989 and January 1990."

Vlasta Tonarova, an employee of the department and I examined the entries on the list one by one. The very first apartment on Biskupska 1157/14 was returned back in 1987. Another on Jansky Hill was vacated in connection with the decontamination of the whole area; yet another, located in the School of Music building on Maltezská Square, should have been dropped from the list in 1986. For quite some time now citizens of Prague as well as foreign visitors have been sipping wine on the ground floor of Nerudova 4 in the wine cellar "U certa" [At the Devil's] (what an appropriate name!); it would have been difficult for any conspiracy to take place on the second floor of Pstrossova 218/27—it is a temporary housing facility, and apparently a member of the Ministry of the Interior really did live there once.... In other words, the three-page list should be edited a little. Following this procedure, the ratio of returned to non-returned apartments is still rather deplorable—by 16 February, only three apartments had been returned to the Apartment Allocation Office Prague 1 in compliance with Dr. Richard Sacher's decision.

"People keep calling us, they stop by, they believe we'll be getting God knows how many safe houses," says Dr. Cisar. "We'll have to disappoint them."

On 31 January 1990 the Department of Apartment Allocation in the attractive district in the heart of town had 4,200 applications for apartments that had not been dealt with. Of these 830 were the result of court decisions—i.e., a divorce, the rescinding of the right to use a service apartment, etc. Following a divorce, many people seeking some kind of refuge, would consider even a small apartment of the lower category to be a solution. In addition to this, every day crowds of applicants for vacant premises for businesses squeeze into the corridor in front of the Apartment Allocation Department. Many ground floor safe houses, which are probably unsuitable as apartments, would perfectly fulfill the needs of many entrepreneurs.

"Any apartment we repossess must be totally empty," explains Frantisek Myslivecek, acting deputy of the Apartment Office Prague 1. "That may be the glitch holding up repossession. I have heard that the Ministry has nowhere to put the furniture. Once they receive the keys, our employees inspect the apartment and carry out the necessary repairs within a month. Then we hand over

the apartments to the Apartment Allocation Department, which assigns them according to the waiting list."

Were the safe houses also assigned according to the waiting list?

"I've been here for seven years, but I have never assigned a safe house to anyone," protests Dr. Cisar. "Either they were assigned earlier, or through different channels..." What channels? Did the small apartment serving as safe houses come from the priority quota, from which apartments were assigned to prominent citizens? Were there yet other channels? Where can one go to get answers?

The category I apartment on the ground floor of house number 629/59 was handed over by its "tenant," Jiri Mlcoch, within the deadline—exactly on 15 February. Stefan Berczali, the deputy manager of Housing Administration 4, who took possession of the keys, says that he did not check the citizen's card or any other ID of the person in question. After all, he deals with apartments, not names. This studio apartment, which has a bathroom equipped with an electric boiler, is mentioned on page 3 of the list of safe houses in Prague 1. While the maintenance man, Roman Vaca, skillfully replaces the lock, and while Engineer Berczali and Jan Voldrich, the official in charge of apartment maintenance at the Apartment Allocation Office Prague 1, discuss that fact that it will be necessary to lay new PVC pipe, check the electrical wiring, and repaint, I look around the apartment. The only testimony to the fact that anyone lived here is some toilet paper stuck onto the flush handle of the toilet, and a poster of motorbike models in the entrance hall. Beyond the dusty window there is an equally dirty little yard, littered with all kinds of junk. "You should arrange for the garbage outside to be cleaned up," the main tenant from the third floor, Mrs. Marie Trnkova sticks her head round the open door of the safe house. "We're here on other business, Ma'am," says Eng. Berczali mysteriously and vaguely. But Mr. and Mrs. Trnka, just like the other tenants in the building know better. Years ago, when old Mr. Mrlik—who had heart trouble and found the ground floor suitable, but was annoyed by the smoking chimney in the yard—moved away, some men arrived to put the apartment in order. They told Mr. Trnka: "One of our colleagues is returning from abroad. We're doing this for him." But it soon became clear for whom the apartment was meant, and for what purpose it was to be used. The safe house was not kept very secret here or anywhere else.

Every state needs an organization to provide security for the citizens, to protect them against external enemies, and to guard state and economic secrets. At this time the Federal Ministry of the Interior is setting up a new organizational structure. It will run the Czechoslovak Intelligence Service, the Office for the Preservation of the Constitution and Democracy, the Administration for the Protection of Institutional Functionaries, the Office of Investigations, the Office for Passport and Foreign Agenda, the Office for Administration Services, and the Formation of Rapid Deployment. Generally speaking, I

think that the people now demonstrating in the squares against the StB will understand this. But they must be informed about everything that does not absolutely have to be kept quiet. There must be some kind of control. It does not matter whether it is through parliament, its commissions, round table conferences, commissions of the public, or representatives at various levels of the Ministry of the Interior, as FMV Press Secretary, Jan Balso told me. And in the final analysis, it must also be through the press which, for example, will discover that the matter with the safe houses is more complicated than was initially proclaimed.

## HUNGARY

### FIDESZ's Fodor on Party Background, Relations With SZDSZ, MDF

90CH0103B Budapest VILAG in Hungarian 15 Mar 90  
pp 20-21

[Interview with Dr. Gabor Fodor, FIDESZ committee member, by Gabor Rejto; place and date not given: "We Are the Children of Divorced Parents"—first paragraph is VILAG introduction]

[Text] Starting out with only three dozen members only two years ago, today the Alliance of Young Democrats [FIDESZ] boasts more than 5,000 members. In the interview below we will be comparing the past and the near future, naturally also touching on such subjects as the state party, radicalism, and parliamentary opportunities.

[Rejto] The 12 first round winner parties all have some kind of a tradition behind them. They either reject it, embrace it, or try to adjust to it. It has been exactly two years since FIDESZ suddenly appeared on the scene claiming its roots in the young club and technical school and club movement.

[Fodor] I believe that FIDESZ also has its traditions. One, which you have just mentioned, is the technical school and club movement. The technical school has meant a great deal to us. In the early and mid-1980's we were able to accomplish things which otherwise would have been impossible to do at the time. For example, we invited speakers who had been expelled from the universities. So the technical school was also a model of democracy. We built a collective in which we ourselves elected our office holders, committee members, and director whom we held accountable for the way they performed their duties. FIDESZ began its work in March 1988, after 37 technical school representatives gathering in a small room had voted to formally establish it. In terms of the intellectual trends affecting its philosophy, there are also some identifiable roots or at least influences with which the members of FIDESZ have established affinity. One has been the ideals of the reform communists, but similarly important has been the impact of the populist writers. The third tradition—and in my view the most profound of them all, which I had

had only casual encounters with before turning 18, and which I had not really come to know as a university student—has been the political course of the democratic opposition.

[Rejto] And in addition to the three, a fourth one has evolved?

[Fodor] The reason why I have gone back a little further in time is because after our party was formed we liked to use the analogy of being a child of divorced parents with the now SZDSZ [Alliance of Free Democrats]-affiliated members of the democratic opposition being our "daddy," and a group of populist writers being our "mommy" to whom we take flowers on her birthday. But we are an independent and grown up child, capable of charting our own course.

[Rejto] In March 1990 whose features are more prominent, mommy's or daddy's?

[Fodor] Two months ago I would have definitely said the SZDSZ's. While this is still the case, during the election campaign we have had to face several problems. Many—particularly from the local FIDESZ groups—have felt that the SZDSZ was intent on incorporating FIDESZ and treating it as if it were its own youth organization.

[Rejto] Which seems to be inconsistent with what appeared to be attempts to "excorporate" your party when it came to the nomination of candidates. Was this the SZDSZ's doing?

[Fodor] It would not be wise to assign blame to anyone. I do not think that we can identify who was really responsible.

[Rejto] Speaking at a press conference a few weeks ago, Victor Orban commented that if it is more important to the SZDSZ to have five more deputies in Parliament, then let it be that way.

[Fodor] Things are a little bit more complicated than that. Indeed we are engaged in a struggle, for the SZDSZ is just as much of a political rival as everyone else.

[Rejto] Just as much?

[Fodor] Just as much, because for all practical purposes, 11 of the 12 national parties running in the elections are our opponents. One reason why things have finally ended up this way has been the existence within the SZDSZ of two distinguishable trends. According to one of these it would be better if the SZDSZ got another four to five percent of the votes instead of FIDESZ, for the SZDSZ is stronger anyway. The other is the opinion that it would be better if FIDESZ found its way into Parliament, for it could attract votes from people whom the SZDSZ is already unable to reach. The SZDSZ has told us right out that it intended to put up a candidate in every district. Our reaction was that, of course, we would too. And that was just what we did. It is a different question altogether whether or not it would have been wiser, considering the past, to have cooperated a little

more. The SZDSZ, it appears, considers itself to be a strong enough organization which does not need our help, hence it does not feel it has to make any bold gestures to enlist FIDESZ's support.

[Rejto] I would like to return to the other "parent," the MDF [Hungarian Democratic Forum]. What has caused the break in the initially harmonious relationship between FIDESZ and the MDF?

[Fodor] I would date the first serious split back to 23 October 1988. It was FIDESZ that had first taken the initiative to hold a collective street commemoration to be organized jointly by the various opposition organizations. The MDF was first to withdraw from the event without even informing the others of its intentions. We, too, only learned from the press and television that it had actually called on its members not to go out onto the street to demonstrate.

[Rejto] What was the problem: That it had failed to coordinate its move with you, or the fact that it had broken ranks?

[Fodor] Both. The problems began when our united stand was successfully broken, and certain organizations became convinced that it was better not to continue working collectively, as a united opposition. That was when the MDF's new ideology, i.e., that it is neither on the side of the opposition, nor with the Communist Party but somewhere between, first began to gain popularity. I believe this was a reflection of Zoltan Biro's version of the Pozsgay line within the MDF. This marked the beginning of alienation between the MDF and FIDESZ. What was to follow at the roundtable discussions was merely a natural consequence of estrangement.

[Rejto] Let us talk about another relative. At its nominating meeting in Ujpest, FIDESZ was apostrophizing the MSZMP [Hungarian Socialist Workers Party] and its successor party as a dead horse, a descriptive which is presumably a contraction of the dead lion and the veterinarian horse. What are some of the reasons why in March 1990, the MSZP [Hungarian Socialist Party] can be referred to as a dead horse?

[Fodor] The time of the MSZP and reform communist thinking is gone. The tragedy of reform communism is that it was so weak, so unable to assert itself that by the time it could have emerged or made a presence in our political life, it no longer had enough to offer.

[Rejto] If I understand you correctly, what you are saying is that there is actually no more need for such a party.

[Fodor] Yes, in fact that is what I am saying. There have been other instances in Europe of communist parties dissolving themselves. Should FIDESZ fare better than the MSZP, that in itself would be a defeat for the MSZP. A complete defeat would be if it failed to even win a seat in Parliament.

[Rejto] What do you think are the chances of this happening?

[Fodor] There is a good chance that FIDESZ will do better than the successor party.

[Rejto] What will happen to FIDESZ's radicalism, the thing that has made it famous, or according to some notorious, once it is within the bounds of a democratic constitutional state?

[Fodor] This radicalism must be retained. FIDESZ is known for its blunt outspokenness and candor. This is what has made FIDESZ what it is today. Obviously, it will have different connotations than before. Our aim so far has been to expedite the resignation of the state party. To put an end to dictatorship in Hungary. This has been our primary objective for the past two years. Radicalism has meant taking an uncompromising stand against the system, the essence of which has been to attack at every point where the excesses of the dictatorship manifested themselves. And we have resolved not to relent until those excesses have been completely dismantled and eliminated.

[Rejto] Have there been any steps taken in this spirit that you would consider a mistake?

[Fodor] No, there haven't. I must admit that I believe 23 October 1988 was a mistake in that we did not act with the same resolve as usual. We have often said that our aim is to assume power, but to keep the power under control. Well, this is how I would define our brand of radicalism.

[Rejto] Many equate FIDESZ's profile with that of Viktor Orban, whose style has been irritatingly categorical.

[Fodor] There are at least three main directions represented within FIDESZ which we have consciously tried to make clear to the electorate in the course of our election campaign. Tamas Deutsch, Victor Orban, and I have been the most identifiable representatives of these trends.

[Rejto] Who represents which?

[Fodor] Viktor is the outspoken, resolute, and consistent radical. Tamas presents the closest alternative to the traditional style of politics, in other words he is the leader of the peace movement. I represent a more liberal, a more bourgeois, or a more professional-competence centered view. But I believe that the political direction we represent is uniform.

[Rejto] What do you think about the seemingly quite obvious, and perhaps even opportune solution of an MDF-SZDSZ coalition, and the long-existing differences lurking behind it?

[Fodor] Given the existing situation, and on the basis of currently available data I would consider an MDF-SZDSZ coalition to be ideal. These are the two parties

that have programs to offer along with the qualified teams of experts needed to implement them. Obviously even the two of them together would not constitute a big enough block, so each side would have to bring another member into the coalition. We must realize, however—primarily because of these long standing differences—that such a coalition would also present dangers stemming from differences of politics, styles, and values between the MDF and the SZDSZ. In other words, such a coalition would constantly be standing on a razor's edge. Hence a coalition made up, let us say, of the so-called national Christian block, the MDF, the Smallholders, and the Christian Democrats, would be more stable, even though professionally they are not as strong.

[Rejto] Are there any coalitions that you would refuse to be a part of?

[Fodor] There is actually no one that we would refuse to join except the MSZMP and the MSZP.

[Rejto] Which side is FIDESZ really backing in the MDF vs. SZDSZ contest? What is your position, can your party play a balancing role, or are you more supportive of the SZDSZ's program?

[Fodor] We try to help resolve these differences between the SZDSZ and the MDF. I believe it would be conceited on my part to say that the FIDESZ is capable of doing this. As far as I can see, no one is really prepared to play such a role, and I have some negative experiences in this regard.

[Rejto] Are you talking from your own experiences?

[Fodor] I know the leadership of the SZDSZ, and I am also acquainted with a good number of people in the MDF, so I know that there are still many old wounds to heal, and even some deeply rooted prejudices to resolve, which are very difficult to cast aside. It is a different question altogether that on several points we have always been in agreement with the SZDSZ's position.

[Rejto] FIDESZ's campaign slogan "listen to your heart" is conveyed to us by a somewhat husky voice. Yet your organization's politics are founded on rational basic principles.

[Fodor] Politics are an art in which there is a role for everything. Emotional and rational influences are equally present here. The two cannot be separated.

[Rejto] Will you continue in the future to let this duality guide your politics?

[Fodor] Naturally. Politics are terribly boring only when they are conducted in our country. I would very much like to see happy elections in Hungary, and we intend to do everything we can to make this a reality.

### **MSZMP Financial Support to Social Democratic Party Reported**

25000716A Budapest MAI NAP in Hungarian 9 Mar 90  
pp 12-13

[Article by Ivan Andrasew and Zsolt Varga: "The Party Money Went to the Other Party; Finally, Nyers and Grosz Agree: It Amounted to at Least One Million Forints"]

[Excerpt]

### **Hungarian Socialist Workers Party [MSZMP] Sat on a Grenade**

On Wednesday the MSZMP held a grand election rally at the Puskin movie theater. Central Committee Secretary Imre Maroti certainly felt that he would explode a huge bomb when he announced that they had proof that beginning in May 1989 the leadership of the old MSZMP had financed the Social Democratic Party then in the process of renewal to the tune of more than 1 million forints. This announcement, however, turned out not to be a bomb, but only a small hand grenade.

We have good reason to believe that the MSZMP leaders learned about the matter of subsidizing the Social Democratic Party from none other than ourselves, journalists at MAI NAP. We had already had the documents for two weeks. The question is, of course, why we did not publish these immediately. We did not, simply because in today's political situation, in the midst of an election constellation, we would have considered it contrary to elementary human decency to publish documents which could indeed explode as a bomb without hearing the views of all possible participants who could be found. During these two weeks, two MAI NAP reporters set aside practically all their other work in an attempt to clarify the circumstances.

Thus, quite naturally, we paid a visit to the MSZMP leaders, because (even) today Karoly Grosz is one of that party's leading personalities, and among those who signed the documents, Gyula Farkas also excels in that party. Thanks to the good offices of legal expert Dr. Peter Bognar, we also conversed with Gyula Thurmer. We did so because we felt that it would be truly indecent and impermissible according to journalistic ethics to publish some not fully verified information. Thurmer, of course, knew nothing of the case.

Thus it became entirely clear—at least to us—that after they had seen the documents in our hands, they thought that they could defuse the bomb if they made the news public themselves while pointing fingers at others. In these days, when debate concerning the role of the press repeatedly reignites, party strife has once again taught us something: In many instances, journalists cannot expect any decency at all in exchange for decency.

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From our standpoint, it was highly educational to learn that the old actors of political life were simply unable to provide information about each other, in most instances not even regarding the whereabouts of others. It took us a stunning three days to find out where, for example, Pal Ivanyi works. He was one of the country's leaders until a few months ago. The other great concern was caused by the fact that the Social Democrats are virtually beyond reach. Andras Revesz simply disappeared; he went underground. We left messages for Anna Petrasovits six times, in vain—we have memorized her phone number.

We asked questions of four MSZMP presidium members from that party's era which began last May. Imre Pozsgay knew nothing about support payments. Miklos Nemeth had heard something about the negotiations, but he saw the documents for the first time in our hands. We spoke with Rezso Nyers and Karoly Grosz for about 15 minutes in the corridors of Parliament. It is likely that "ever since human memory can recall"—at least according to the daily political recording of time—this was the first time that two politicians have ever made statements that were identical to the last word. To our surprise, it happened in this instance.

Both said that they regarded the documents as authentic. It is true indeed that the Social Democrats came to see them and that they negotiated on two occasions. Only with Nyers and Grosz. Only with them, because they regarded the needs of the newly reorganizing party as fair. It is a historical fact after all that the MSZMP—and its legal predecessor—came about as a result of a merger of the two parties. The Social Democrats lost all their property in the course of that merger. Both recalled an amount of about 1 million forints designated for purposes of reviving the Social Democrats. Since the Social Democratic Party of Hungary [MSZDP] has received support from other sources, there was no need at all for the MSZMP support, which could be regarded as a service provision. They received what they asked for, they did not present other needs.

Both Nyers and Grosz said that they recalled both the negotiations and the decision concerning support as an act which was accomplished with circumspection and that it was fair from the standpoint of political decency. Grosz had this to add to the statement: This was a decision which he has not regretted ever since, although such situations have seldom occurred in recent times.

#### **All This Is Contradicted By What We Heard From the Former MSZMP Central Committee Secretary**

Pal Ivanyi was amazed that we reached him at his present workplace, the International Trade Center. His surprise increased only when we brought up the matter of providing support to the Social Democratic Party. Nevertheless, he did not deny anything; he immediately acknowledged the fact that he was the one to direct the financial department to pay the bills. But as he said, he did nothing more. He merely implemented a directive

received from the party presidium. (The only question is how many members there were in the presidium? the ed.) And he did that in his capacity as Central Committee secretary.

The person who implemented the directive was MSZMP Deputy Division Director Gabor Hovan. He later became the Hungarian Socialist Party's acting division head. In more precise terms: He was the acting director. Since January he has been working for the Budapest Remote Heating Works. He waived us off even before we took out the paper; he recited the items from memory. In any event, we got stuck when we reached the point where it turned out that the administrator's wage amounted to the bargain amount of 15,000 forints net.

"Isn't this too much," we asked.

"This is a wage payment only in theory," Hovan waived. "We just said that this is how much a good secretary was worth."

[MAI NAP] How much did you pay out altogether?

[Hovan] I could not give you a very accurate figure, but we definitely paid out between 3 million and 4 million forints.

[MAI NAP] How did this transaction take place?

[Hovan] I have not seen any written material in this regard. No general rule governs this kind of thing. I received a verbal instruction which I implemented. Quite naturally, I documented the material so that there is a trace of it. I am a financial professional, after all.

[MAI NAP] Did other parties receive money?

[Hovan] Not prior to 31 December, while I was working there, because I would have known if they had.

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Hovan had a few more things to say which are not insignificant from the standpoint of this case. Last year when the two parties debated over which party is entitled to what part of the property, he reviewed the financial documents of the coalition days. He discovered to no small surprise of his that already in those days the Communist Party was providing financial support to the Social Democrats. Moreover, even the Smallholders party received its share from the Communists' new, hard forint, which is peculiar because all of this took place in the midst of implementing the salami tactic! We hope that some day historians will be able to tell what considerations motivated this political game.

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This is what we learned. Perhaps we could have learned more in a few days had the MSZMP's self salvaging reflexes not forced us to instantly publicize the documents. [passage omitted]

**FKgP's Pongor Views Land Reform, Economic Policy Plans***90CH0103A Budapest VILAG in Hungarian 15 Mar 90 pp 30-31*

[Interview with Zoltan Pongor, economic and legal expert of the Independent Smallholders, Agricultural Workers, and Citizens Party (FKgP) and legal director of the "Hangya" [Ant] Cooperative Center, Incorporated, by Janos Dobszay; place and date not given]

[Text] In the upcoming elections a lot will depend on who comes up with what kind of economic program. In this sixth segment of our series, we talked with Zoltan Pongor, economic and legal expert of the Independent Smallholders, Agricultural Workers, and Citizens Party and legal director of the "Hangya" [Ant] Cooperative Center, Incorporated.

[Dobszay] According to the polls it is primarily in the countryside where the Smallholders Party has succeeded in establishing its reputation. Your economic statements have also been more appealing to agricultural workers. Do you have anything to offer to the city dwellers, too?

[Pongor] For them—generally speaking—it is our commitment to halting inflation and putting the damper on price increases that may be the most appealing. Unquestionably, our overall concept is focused on agricultural production and stimulating private ventures; however, if our program is successful it will bring about a drastic drop in food prices and an improvement in the supply of consumer goods. Putting the economy of the provinces in order, therefore, would directly or indirectly also benefit the residents of our cities.

[Dobszay] The economic program of the FKgP is identified by many with your views on the land issue. You must also have concepts worked out for the other branches of the economy as well?

[Pongor] Settling the issue of land ownership could in itself have a beneficial impact on the rest of the economy. Our "program of national revival," which we announced in January, also outlines some specific tasks. Thus one of the important points of our industrial development concept, for example, is to lend support to our agricultural machine manufacturing, processing, and service industries.

[Dobszay] Do you intend in some way to compensate the former owners of large estates?

[Pongor] We are a party of the little man. We do not support the demands of the big land and apartment house owners. We do, however, insist on returning family homes and small businesses to their rightful owners.

[Dobszay] The "back to the proprietary status of 1947" program of the Smallholders gives one the impression that such a measure would only strengthen the position

of those who had been fortunate enough to benefit from the land distribution at the time.

[Pongor] Let me point out that the very manner in which you have posed your question reflects the influence of hostile propaganda. Returning land does not mean that its owner will be handed some kind of a thriving estate; on the contrary, he will have to breathe life back into a ruined plot, and at the same time try to come up with the necessary means to do the job. This will require credits which every producer will have to repay while trying to make a living at the same time. This can hardly be called an advantage.

[Dobszay] Isn't it an anachronism today to advocate ideas dating back to 1947, given the important changes that have taken place in our settlement structure, and the significant transformation of our enterprise structure?

[Pongor] The private-property centered program of the Smallholders Party, and its call for resolving proprietary issues on the basis of the status quo of 1947, are intended to be viewed not as a new land distribution scheme, but rather as a program of justly reinstating the proprietary relations of the past. We are not against the producers cooperatives, as the hostile propaganda would again like to lead people to believe; we are merely urging them to transform into independent associations. All we are saying is that it is the owner, not the president of the cooperative, who should have the right to decide whether or not his land should be sold. The rightful owner should receive a rental fee after his land either from the producer cooperatives or from a private renter, and the resulting profits should not be used to offset the cooperatives losses.

[Dobszay] There is no question that cooperatives must (should) operate on a voluntary basis. But how do you expect an already indebted producers cooperative to pay compensation to the owner of the land?

[Pongor] They will not have to pay compensation, nor will they be expected to return the plot registered under the original topographical lot number; they will merely have to insure that the land which they give back from the village estates is of the same gold korona value as the original lands were. After all, it would be unjust to allow a narrow agricultural clique to benefit from the sale of these lands without their former owners receiving any of the resulting revenues. I have been repeatedly told by our members in the country that it is not the MSZMP [Hungarian Socialist Workers Party] or the MSZP [Hungarian Socialist Party] that we need to fear, for they always lay their cards on the table; the people we need to be concerned about are the producer cooperative presidents and other economic potentates, who no longer having to be ex officio party members, have hidden behind the name signs of the Agricultural Alliance or the Patriotic Election Coalition, doing everything they can to undermine any efforts to eliminate our currently perplexed proprietary relations.

[Dobszay] Returning to the conditions of 1947 would, in most cases, mean giving land back to people who perhaps have already found employment in industry, and thus have no intention of working in agriculture.

[Pongor] If they had to choose between unemployment and farming, I am sure the scale would tip toward the latter option.

[Dobszay] That is probably true, but if we discounted such compelling circumstances, and assumed that the land to be returned is to someone who already holds a secure job...

[Pongor] But look, at the basis of our entire concept is the assumption that there will be no more Dunaujvaros, no more Ozd, Csepel Iron and Steel Works, etc. The work force of these entities will have to be redirected somewhere!

[Dobszay] But this would immensely inflate the number of people employed in agriculture, which no matter how we look at it would be counterproductive in terms of efficiency.

[Pongor] We would like to avoid this. That is precisely why we propose that in addition to offering them the prospect of agriculture, those still employed in the unjustifiably inflated branches of our industry also be given the option of joining the service or processing industries. One of the grave mistakes of the economic policies of the past has been the settlement of agricultural processing industries in big industrial centers such as Budapest and other big cities. What we would like to see is the establishment of processing plants employing 50-60 people adjacent to our agricultural areas, near our small towns and villages. This would lower shipping costs, the more immediate processing of products would help to prevent losses, and last but not least, it would create employment.

[Dobszay] Even if—the way you have outlined it—these problems were solved in the provinces, our cities would continue to have to face unemployment. What do you have in mind to address their plight, particularly from the point of view of those just entering the work force?

[Pongor] We have found that it is not the local residents who are the most affected by lay-offs, but the commuters. Those who have been squeezed out of the productive spheres of agriculture. Once their problem is solved, our big cities' unemployment problems will also be less acute. As for your question concerning our ideas about helping those who are just entering the work force, it would be difficult to give you a simple answer. I could talk big by telling you that once our concept of a farmers alliance movement becomes a reality, it would also provide a framework for solving the employment difficulties of our young people, but the question is more complicated than that. We certainly do not intend to resort to state-initiated means, such as price supports, to interfere with this process.

[Dobszay] Now that you have brought up the issue of what role the state should play in the economy, let me ask you about your party's program which considers the rational division of authority to be one of the key criteria of an effective economic management system. What does this mean in practical terms?

[Pongor] We are for little government, and strong self-management. So in this sense, too, we are traditionalists, for we consider the state administrative system to be the same kind of Soviet-inspired concept as was the kolkhoz. We believe that the economy must be divided into a governing, administrative, and legislative entity on the one hand, and a self-managing sphere on the other. Neither sphere can be subordinate to the other. It would thus be useless to offer specific suggestions, for the opposition parties still do not have all the necessary information at their disposal about the state of the economy. Perhaps some of the SZDSZ [Alliance of Free Democrats] people working at the Financial Research, Incorporated do—by virtue of their positions—have some insight into the way things really are, but for the most part the parties are still misinformed or underinformed about the actual state of the economy. How can we consider any publicly discussed figure credible when the prime minister himself is citing figures that are different today from the ones he gave us a month ago?

[Dobszay] One of the most important considerations governing our government policies so far has been the preservation of our country's solvency. What is your position on the question of servicing our loan obligations?

[Pongor] We firmly believe that the West would be willing to take a more patient and tolerant view of Hungary's performance on meeting its loan obligations even if we abandoned our policy of paying our installments on schedule. We are not talking about rescheduling our debts, but rather about giving the economy some time to adjust itself, and our small and medium-sized businesses to gain strength. Then we can talk about timely payments.

[Dobszay] In other words, you do not intend to adhere to the strict conditions dictated by the IMF, and you do not discount the option of temporary non-performance?

[Pongor] Exactly. Look, our loan repayment obligations—the sum which leaves the country to service our loan and interest obligations—will increase to 3 to 4 billion dollars in 1991, and every year thereafter. This sum amounts to two-thirds of our annual export revenues, and one-third of our gross national product; in other words, every three years we are expected to pay out one year's worth of our gross national product as part of the heritage of our former economic system. We believe that the proper order is first to stimulate businesses and put the country back in order, and then to use the resulting revenues to pay off our debts. It appears increasingly clear from the press that the West would accommodate us in trying to implement such a concept.



[Dobszay] Although the questions asked in the recent referendum were not economic in nature, the smallholders at the time were still in the same boat with the SZDSZ. Today it is clear that on several issues your views are diametrically opposed. Whom would you consider taking on as a coalition partner?

[Pongor] The coalition issue—in accordance with our traditions—is decided by the general steering committee. This body will meet after the elections, but still before the convening of the new parliament. At this point, weighing the possibilities, all I can tell you is that with the exception of our stand on restoring the proprietary conditions of 1947, everything else is open to compromise. In principle, we would be willing to enter into a coalition with anyone within the opposition, especially—according to the preliminary information I have—with an all-national Christian block. In this sense the SZDSZ is pretty much on the bottom of the list, although I must quickly add that this is only the way things currently stand.

#### **Antall Assesses Country's Pioneering Role, Kadar Regime**

90CH0115A Vienna DER STANDARD in German  
23 Mar 90 p 4

[Interview with MDF Chairman Jozsef Antall by Alexander Peter in Budapest; date not given: "We want to Continue to Play the Pioneering Role"]

[Text] [Peter] After four decades of communist dictatorship, next Sunday [25 March] Hungary will have its first chance for a free election in 42 years. In spite of this, almost half the electorate does not yet know if they will go to vote at all. Is this indecision due to the fact that the three large parties, the MDF [Hungarian Democratic Forum], the Federation of Free Democrats, and the Small Farmers' Party all resemble each other too much or are the candidates too bland with not enough appeal?

[Antall] I think that this is due to the fact that in Hungary we have had a better life in the last decades and more freedoms than in the other East Bloc Countries. The Kadar regime, a different type of dictatorship from the state model, e.g., in the CSSR or Romania, has made us apolitical. It certainly is most important in a multi-party system that the parties and their programs cannot be confused.

[Peter] Is the lack of enthusiasm among the voters perhaps also due to the Hungarians' fear of the market economy, of the direct competition—fear of the future in general?

[Antall] Certainly. The Hungarian people are afraid now, they are insecure, they do not have enough knowledge about a well functioning market economy. In some regions unemployment is already knocking at the door....

[Peter] Are you afraid that unemployment will rise with an increased market economy?

[Antall] Yes, certainly, in the beginning. We are simply not prepared. The actual social infrastructure is simply missing in the so-called socialist system.

[Peter] It is not only outsiders who have the impression that your only conflict with the main competition, the Federation of Free Democrats, is minimalized in the fight about the real national holiday. Who would be your favorite partner for a coalition?

[Antall] In political philosophy and tradition, the Small Farmers' Party and the Christian Democratic People's Party are closest to us.

[Peter] A coalition with the Socialists of the HSP [Hungarian Socialist Party] is ruled out?

[Antall] Naturally.

[Peter] When you are elected Prime Minister by the Budapest State Assembly, where and how will you start with the great clean-up?

[Antall] Journalists may like to write about this. But I cannot speak already as prime minister. We are approaching such a complex transition period that this cannot be simplified in such a manner. We have to fight inflation and unemployment. We have to be careful that everybody in this country, down to the local authorities, will be loyal to a new government. These are our most important problems and the MDF, the Hungarian Democratic Forum already play an important role in these questions.

[Peter] You want to prevent a witch hunt directed against yesterday's rulers. Do you want to let the still communist influenced command apparatus continue to operate?

[Antall] Naturally, we want to set up a constitutional state. This constitutional state cannot start this new era with illegal methods. We want another state, another policy, another Hungary. That can only be done with people. On the other hand, continuity has to be assured. For this reason it is not possible to fill all posts, all ministries, all offices, all companies with new people. We want to retain the best people there. But they have to be loyal to the new regime, then we will always remain just.

[Peter] Has the electoral triumph of your Christian Democratic friends in the GDR increase your hope?

[Antall] Naturally, yes. For all the forces of the center in Europe.

[Peter] In spite of the started democratization, 90 percent of Hungarian companies are still state owned.

[Antall] Our goal for the next three to five years is a remainder of state-owned companies of 30 percent. What comes after that, we shall see, depending on how it is functioning.

[Peter] Your goal is neutrality for Hungary. Will you leave the Warsaw Pact after your electoral win?

[Antall] This is not just a question of proclamation. We naturally want a short transition period. We have to maintain close contact not only with the West, but also with the Soviet Union, primarily also in economic policy, as the whole Hungarian system is constructed in such a way that Soviet energy carriers and raw materials are very important to us. We cannot simply drop that, even if it causes us many problems. Practice will make us more adept. [Peter] You have demonstrated to the United States that you effectively won World War III for America, without a single soldier having lost his life.

[Antall] Well, that was symbolic and should not be misunderstood. Hungarians have always played a pioneering role, as early as after World War II with the free elections in 1956. We want to continue to play this pioneering role in the European organizations.

### Habsburg on Possible Future Role in Government

90CH0115B Vienna DER STANDARD in German  
20 Mar 90 p 5

[Interview with Otto von Habsburg, son of the last Austrian Emperor and CSU [Christian Social Union] delegate to the European Parliament in Strasburg, by Peter Keller; date not given: "Hungary's Head of State? Yes, Gladly—Otto Habsburg Would Not Shut Himself Off From a Call to Budapest, 'If It Were in the Public Interest'"]

[Text] [Keller] Dr. Habsburg, Europe is merging into a unit, as you have dreamed about. Have you already thanked Mikhail Gorbachev for this—or does his "European House" still differ too much from your pan-European vision?

[Habsburg] There certainly are very fundamental differences. You cannot forget something: Mikhail Gorbachev is the head of the last large colonial empire in an era of worldwide decolonization. His concept of the "European House"—which, by the way, did not come from him, it had already been called that by Brezhnev in 1982....

[Keller] Mainly Andropov....

[Habsburg] And before also Gromyko, thus he inherited it from his predecessors. This concept of the "European House" is clearly also directed towards the fact that they want to have us as willing supporters during the last colonial war, which is coming, without doubt. Thus, I am for it—the "European House" is wonderful! But only after a decolonization.

[Keller] Which colonial war is still ahead of us?

[Habsburg] Look, there is no doubt that in Central Asia a large explosion is in the works. One can see the preliminary shocks in Tadzhikistan, in Usbekistan, in various other regions.

[Keller] You think Lithuania was just the beginning?

[Habsburg] Yes, no question!

[Keller] Then, what should the West do now in order not to disappoint the Lithuanian hope for independence? Are you calling for the immediate recognition of the sovereign state of Lithuania by the European Parliament and the West European governments?

[Habsburg] I have proposed such a resolution, which, unfortunately, did not make it onto the agenda.

[Keller] Mr. Habsburg, you are the oldest son of the last Emperor of Austria and King of Hungary, Karl I. In May 1961 you declared, as demanded by the Habsburg law, your renunciation of title, throne, and private property in Austria. But only in Austria! You are still very popular in Hungary. In an era in which so much of what once appeared impossible is becoming reality—what are the chances that one day you will arrive by state coach in front of the President's Palace in Budapest?

[Habsburg] At the time when the presidential elections were planned last year I was asked to be a candidate. I asked my friends then to refrain from this for the following reasons: I was, in principle, against a presidential election before the parliamentary election. And, secondly, I told them that I can help you more in Europe.

[Keller] However, these obstacles have now been eliminated?

[Habsburg] In the meantime, two things changed: First, the Hungarian people has declined by referendum to have a presidential election before the parliamentary election, which I appreciated very much. The presidential election will take place some time this year in September. And secondly, we have attained a good breakthrough in the EC. Actually, I would prefer to remain here in the EC. But I am open, let's say, for anything.

[Keller] Is there in Hungary not still a chance for a renaissance of monarchical ideas or at least for a leadership plan for you as the last Habsburg? Perhaps as state president of Hungary, later perhaps as president of the parliament, or member of the government?

[Habsburg] Certainly, there is a chance, because there is always interest, specially for monarchies. The example of Spain has left a great impression. Otherwise I would prefer to let these problems come to me....

[Keller] ...and you would not shut yourself out for a call to Hungary?

[Habsburg] No, certainly not! If I am convinced that it is in the public interest.

[Keller] You are ready, in principle, for an office such as state president, or as a member of the government?

[Habsburg] As member of the government I would have to become a party politician and I would not consider that to be in the interest of the general public. I belong to the CSU in Bavaria and will certainly continue this

membership. A chance to become president of the parliament already did not tempt me in the European Parliament. I am much too much interested in politics in

order to preside meekly over all the nonsense which takes place there. State president, if it were really in the national interest: Certainly, yes!

## HUNGARY

### Warsaw Pact Conference Highlights Discussed

25000718C Budapest NEPSZABADSAG in Hungarian  
27 Apr 90 p 3

[Interview with Laszlo Tolnay, head of the security policy division of the Hungarian Foreign Affairs Institute, by Peter Vajda; place and date not given: "The Ideological Basis for the Warsaw Pact Will Cease To Exist; Laszlo Tolnay on the Adaptability of the 'Finnish Model' in Our Region"—first paragraph is NEPSZABADSAG introduction"]

[Text] A short time ago the Hungarian Foreign Affairs Institute and the Military Policy and Military Sciences Research Institute organized an international conference in Budapest, sponsored by the Euraction Foundation. Laszlo Tolnay, head of the security policy division of the Hungarian Foreign Affairs Institute, served as co-chairman at the conference.

[Vajda] Who took part, what did you examine, and what conclusions did you reach at this conference?

[Tolnay] A novel approach to securities policy was made possible by a composition [of participants] that was not traditional. There were both military and political participants from the Soviet Union, Poland, the GDR, the CSFR, Romania, and Hungary. In addition, the Hungarian political parties were invited. The Hungarian Democratic Forum [MDF], the Independent Smallholders [FKgP], and the Hungarian Socialist Party [MSZP] were present. Insofar as the topics of discussion are concerned, we dealt with three: the perspectives of European security in the 1990's, the Warsaw Pact Organization and its future, and the security problems of the Central East European region.

[Vajda] It appears from what you have said that these are overlapping issues. What conclusion did the exchange of ideas yield; how do Central East European countries see their own perspectives?

[Tolnay] A common recognition may be discovered as a result of the debate, according to which the bipolar system which has had a bloc character thus far is in the process of disintegrating. At the same time, there is no system which could take the place of the previous system. A kind of in-between situation has evolved, and this creates problems. Because not even a transitional mechanism exists that could become part of a subsequent all-European structure or that may be rendered superfluous.

[Vajda] Among the subjects which you, Mr. Tolnay, mention, we also find the Warsaw Pact. How did the participants view this issue?

[Tolnay] Before responding to this question one must consider the fact that, expressed in a summary form, the ideological basis of the Warsaw Pact has essentially

ceased to exist. The enemy images have been essentially dismantled; it would be difficult to make a Hungarian soldier believe that a Norwegian soldier is his enemy. And of course we are talking not only about the Norwegians: It would be difficult to present Europe, which we want to join, as the enemy. One should recall that the official reason for calling the Warsaw Pact into being was the fact that the Federal Republic of Germany joined NATO, but by now everyone knows that there will be a unified Germany, and at least we Hungarians would not find it inconceivable for this unified state to become a member of NATO.

As a military organization, the Warsaw Pact exists *de jure*, but *de facto* it is not functioning. It would be difficult to enforce an order issued by the commander of the Warsaw Pact—traditionally a Soviet general. East German Colonel Hecke who participated at the meeting said that the ongoing changes in the GDR render the structure represented by the Warsaw Pact questionable. But yes, certain interests are still tied to the preservation of the political organization of the Warsaw Pact, with significant changes pointing in a consultative direction of course, as compared to the present situation. First of all, as NATO's partner, the Warsaw Pact's also serves as the political framework for negotiations, as well as for discussions by the 23 countries in Vienna. Second, a changed Warsaw Pact which acquires a political profile may become a responsible forum for useful exchanges of ideas.

[Vajda] Do I understand you correctly if I say that the stormy changes in events in the region also presented new dilemmas to researchers?

[Tolnay] These reflect the dilemma of the political sphere. In the course of debate I, along with others, served as a reminder that in essence the Soviet Union agreed to the continued stationing of 195,000 Soviet and American troops in Central Europe. I brought up the fact that since all Soviet troops will be removed from the CSFR and Hungary by the middle of next year at the latest, this number will be stationed in East Germany and in Poland—the latter represents the securing of connections—insofar as the Soviet Union is concerned. Could the long-term presence of Soviet troops in Germany based on a consensus reached by Moscow and Washington lead to some unforeseen problems?...

[Vajda] Did you receive an answer to this question?

[Tolnay] The East German delegation responded with an additional question: Should we assume that the huge costs of stationing troops there will be paid for in West German marks, which is becoming the uniform currency in the two Germanys?

[Vajda] Did those present envision this situation in a way that it has ultimately become possible to talk about the military aspects of European security in the past tense?

[Tolnay] No, not that. Major General Sevchenko, head of the Soviet delegation, presented a four-point summary of the elements that are still timely from a military security standpoint. First: Independent from the bloc logic, there is still a large scale concentration of European armed forces. Second: Domestic policy processes in some countries may still become uncontrollable. Third: Nuclear forces (including the French and the British national strike forces) exist. And fourth: A possibility for terrorism, including nuclear terrorism, exists.

[Vajda] How could these undoubtedly existing issues fade away in a new European security structure?

[Tolnay] Among many concepts, a supranational structure has been discussed. A related comment made by the Hungarian side pointed out the fact that earlier supranational and collective security systems did not fulfill the hopes that were attached to them. It would appear more appropriate from the standpoint of Central East Europe during the transition period to follow a "Finnish model," which has withstood the test of time. This idea was supported by the fact that the Soviet Union continues to be a geostrategic factor. That model enjoys political support in Hungary, as well as confidence on the Soviet side.

[Vajda] Mr. Tolnay, you have come here from yet another conference, from the Open Skies Conference. In what capacity did you take part in that conference?

[Tolnay] As an expert, authorized by the MDF....

## YUGOSLAVIA

### Changes in Laws on Military Issues Proposed

90BA0056A Belgrade NARODNA ARMIJA  
in Serbo-Croatian 8 Mar 90 p 13

[Article by Predrag Jovanovic: "Package of 'Military' Laws"; first paragraph is NARODNA ARMIJA introduction]

[Text] The Assembly of the SR [Socialist Republic] Slovenia and the FEC [Federal Executive Council] have proposed significant innovations in laws concerning the military justice system, military prosecutors, health insurance for military insurees, and about crossing state borders and movement in border zones...

The Assembly of the SFRY was recently presented with proposed changes in several federal laws relating completely or partially to the problem of the military. The proposals concerned the passage of laws changing and amending laws on military courts and on military prosecutors, in addition to a proposal concerning passage of a law on the execution of criminal sanctions against active members of the military, and proposals for amending the law on health insurance for military insurees and the law on crossing state borders and movement in border zones. The first three of these legislative acts were proposed by the Assembly of the SR Slovenia and a

group of Slovenian delegates in the Federal Council of the Assembly of the SFRY, while the others came from the Federal Executive Council. Since the regular procedure is anticipated for passage of all the proposed laws, it is expected that debate on them (phase one) will be completed in the competent working bodies and in the Federal Council within a month. Until then, in keeping with the Assembly's operating procedure, the FEC's opinion on the legislative proposals originating in the SR Slovenia will be ensured and necessary.

According to the arguments offered by the originator of the proposal—the Assembly of the SR Slovenia—the basic goal that supporters hope to achieve through changing and amending the law on military courts is to limit their authority in peacetime to within the bounds of the constitutionally defined position of the armed forces in our society, and to harmonize military legislation in that area with the level of social development in the SFRY and with current trends in the world.

The newly proposed changes in and amendments to the law on military prosecutor offices will move primarily in the direction of emphasizing the autonomy and independence of those judicial figures, or a change in their role to increasingly approximate the position and role of public prosecutors. An amendment to the law has been proposed, according to which these military institutions must also conduct business in the language and alphabet of the people in the republic in whose territory they are functioning. There is also a change in the law whereby in choosing persons to discharge the duties of military prosecutor and his deputies, the institution of moral-political suitability would be abandoned.

Referring to the 34th amendment to the Constitution of the SFRY, a proposal for passage of a law on the execution of criminal sanctions against active members of the military was also submitted, through which—according to the explanations by its authors—the outdated provisions currently in force, and which are otherwise contained in the law on military courts, are superseded. In support of regulating the execution of such sanctions through a special law—the one noted above—the authors of the proposal from the SR Slovenia emphasized the significance of defending the basic rights and liberties of convicts and of the further humanization of the execution of criminal sanctions. In connection with this, they proposed legal resolutions that would make possible a much more liberal regime for criminally condemned members of the military serving prison sentences. Speaking in favor of, among other things, setting up military penal institutions in the territories of all republics and autonomous provinces, the authors think that it is opportune to resolve that serving prison sentences be increasingly linked to the place of residence of the convict. Viewed on the whole, the new law would only force those restrictions on the freedom of movement and communication of the convicts with their surroundings and families that are necessary for realization of the basic goals of penalization (reeducation and resocialization).

The basic intent of the supporters of the proposal for passage of a law on changing and amending the law on health insurance for military insurees, in this case the FEC, was to ensure a more efficient and rationalized system of health protection for employees of the armed forces, or rather to harmonize the legal regulations in this area with corresponding resolutions in society. This is why the proposal includes reconsideration of the right of military insurees to use health protection outside military health institutions, and thus the introduction of reimbursement for expenses to military health institutions (this would be paid by legal persons with which the spouse of military insurees is insured if they used the services of military health institutions), and so on.

The Federal Executive Council also submitted to the Assembly of the SFRY a proposal for passage of a law on changing and amending the law on crossing state borders and movement in border zones. One of the more important goals that supporters hope to achieve with this law is the creation of conditions for a greater introduction of

contemporary military technology into the system of securing state borders, as well as a more complete inclusion of military border units in the system of thoroughly securing the borders. In connection with this, it is proposed that the area of competence of military border units be extended so that they can identify, search, or detain persons about whom there is well-grounded suspicion that they have illegally crossed a state border, or intend to do so. In the future, this area—allowing for the current exceptions (villages, border crossings, public roads)—would run the entire length of the border and be up to 1,000 meters from the border zone (right now only on border rivers, and up to 100 meters wide). It is expected that military border units may also, in exceptional cases (at the recommendation of the republican or provincial secretary for internal affairs and based on a concurrent opinion by the federal secretaries for national defense and for internal affairs), guarantee the border in certain inhabited locations, as well as at border crossings while they are not working.

## BULGARIA

**Shortages, High Prices Reported in Produce Markets**

90BA0100A Sofia RABOTNICHESKO DELO  
in Bulgarian 7 Mar 90 p 1

[Article by Katya Yaneva and Boris Gergov: "European Prices in an Oriental Market"]

[Text] Set loose, the law on value is rushing through prices. Yesterday, cucumbers sold at the Georgi Kirkov market in Sofia could be bought at six leva the kilogram. Most of the cucumbers were bought out and the sellers filled their wallets. An initial accumulation of capital is taking place.

We have lived to see the day that prices fluctuate with the time of day. Such was the case at the G. Kirkov market and, probably, it was the same in the other markets where private producers are offering their wares.

The new prices are still strange to even those who profit from them. Last Friday a seller was about to be beaten up for having offered tomatoes for sale at 18 leva per kilogram. Today a merchant said indignantly that the cucumbers are sold at six leva but that another one believes 10 leva to be a shameful price.

Cucumbers and eggs have not changed prices throughout the day. Early vegetables, however, are high in the first half of the day. In the morning, fresh onions and garlic, radishes and lettuce were at 40 stotinki. In the middle of the afternoon the prices had dropped to under 30 stotinki.

The shortage is most firmly helped by the price of eggs. Their fixed price (30 stotinki) is almost double that of store prices. We found only one old man, as yet uncorrupted by the new mechanism, who was selling eggs at last year's price of 20 stotinki. This earned him the sympathy of the customers who informed him that he was selling at a loss and that the competition was charging 10 stotinki more.

Despite the increased prices, the people continue to buy. Everyone unanimously agrees that more expensive "availability" is a better option than inexpensive shortage.

Supply and demand control the waiting lines. Few lines form to buy grapefruit priced at 1.10 leva. Lines form in front of each "fruit and vegetables" store. However, endless people are waiting at the stands of the commission trade. Five-hundred kilograms of cucumbers were shipped in from the greenhouse of Kozarsko Village, Pazardzhik Oblast. They sold out in 90 minutes, and the people of Sofia are not asking whether nitrates were used. All they want is more.

"Hey, over there," points a seller at the tables of free producers. The price "there," is 6 leva.

What type of people are shopping? In the waiting line a man shouts: "hungry ones!" A small woman next to him adds: "Even if my salary may be 220 leva I will nevertheless buy. It is for the children, they are asking."

Who are the sellers? Ivan Khristov from Ivaylo Village, Pazardzhik Oblast, says that garlic is not very profitable:

"I bought the seed at 60 stotinki; there is a great deal of work, I must pay taxes. At best, I will keep no more than 30 percent of the earnings."

Ivan Lilov has brought 30 kg of cucumbers from Stamboliyski. He worked throughout the winter as a stoker at the greenhouse and now tries to show a profit. Yesterday, at the market in Plovdiv he sold his cucumbers at five leva. Today he makes one leva more per kilo and forecasts that by the end of March the price will drop by two or two and a half leva.

Unlike previous years, today it is more difficult for the customers to come to the stands. Confused by the din of the crowd around them, it is as though the vegetable sellers appear to have given up advertising their wares. It is the shouts of the peddlers that dominate the market. They are selling everything brought in on the crest of the wave of the black market or else made in their own workshops. The flea market is completed with used-book sellers and people who have simply decided to get rid of old clothes. The central Sofia flea market is quite a lively place and no one there is surrendering his commercial space.

However, this market reacts badly to the commodity shock, its area having remained unchanged for many years; equally unchanged are the trading conditions. The European hour-by-hour music is being danced to on an Oriental stage—everything is crowded and dirty. No promises of improvements or rebuilding may be heard from any direction, at least not for the next five years.

Clearly, this situation greatly narrows the possibility of providing accurate hygiene and sanitary supervision. It is difficult to determine accurately in the various parts of the day the nitrate content in vegetables and to prevent fraud. This is particularly important in spring, when the vegetables collect within themselves the highest percentage of harmful mixtures, and when any one of their changes, for the sake of higher profits, is dangerous.

Our readiness to pay more today does not meet even the pledge that we will get better service. Our frame of mind as European customers who could even benefit from the daily circumstances is not growing along with that of our frame of mind of being European customers.

**Reports by our Correspondents:****Smolyan:**

The market is located in two districts, six to seven stands each, but no one sells there. Trade takes place during late spring, summer, and autumn.

All that is available is flowers. A carnation sells for 1.30 leva and a daffodil or a lilac bunch, 80 stotinki each.

**Silistra:**

The prices of spinach, onions, garlic, eggs, poultry, and other produce sold from the private farms are lower, for there is an increased number of producers and there is competition. For example, last year one kilogram of spinach was selling here for one leva; today its price is 0.80 leva. The same situation prevails with onions and garlic: Their prices are lower as well.

**Burgas:**

Here the stands are "loaded" with last year's garlic, onions, radishes, and turnips. Cultured mushrooms sell at five leva per kilogram. Anemic bunches of fresh onions and garlic fetch 0.30 leva; wilted spinach costs one leva the kilogram. The only lettuce available sells for 0.30 leva piece.

**Pernik:**

Fresh onions from Plovdiv and Pazardzhik at 2.5 leva per kilogram (lower than in the stores) apples per one leva or 0.80 leva per kilogram, lettuce transplants, 20 pieces for 50 stotinki, a twig of lilac for 80 stotinki and hyacinth at 1.50 leva were the items which were offered yesterday to the rare customers on the cooperative market.

On market days (Wednesdays and Saturdays) one can see early greenhouse vegetables: cucumbers at 4.5 leva the kilogram; same as in state stores; lettuce, bunches of fresh onions and radishes at 30 stotinki. There are no price restrictions on such items. The price of young pigs is by agreement (about five leva per kilogram live weight) and "estimated weight" per chicken, five to six leva per kilogram.

**Sliven:**

The market day is Tuesday. Spinach, 80 stotinki per kilogram; a bunch of garlic, an onion and a lettuce per piece, 40 stotinki each; cucumbers from state greenhouses, 4.50 leva; carnations, one leva piece; a bouquet of flowers, 2.50 leva; seed onion, 1.60 leva per kilogram; carrots, 70 stotinki per kilogram from last year's crop; and bacon, three leva per kilogram sold by private producers.

## CZECHOSLOVAKIA

### Problems of Industrial Reform Examined

90CH0062A Prague HOSPODARSKE NOVINY  
in Czech 30 Mar 90 p 3

[Article by Prof. Dr. Vaclav Hoffmann, Advanced School of Economics, Prague: "The Reform and Industrial Enterprises—Whither Leads the Path?"]

[Text] The radical reform of our economy places enterprises in a historically completely new situation. In many

aspects, this situation is downright shocking, is characterized by a dramatic change in the conditions under which enterprises will function. Of all the changes, let us list at least the conversion of military production to civilian production, the substantial change in foreign trade relationships and their advantages for individual enterprises, the change in organizational and management structures created over the past decades, and the restrictive financial policies of the central authorities. Enterprises, functioning within the system which is characterized by gigantic redistribution processes, are finding themselves in conditions requiring self-financing. All of this presupposes substantial changes in the conduct of enterprises, both with respect to their relationships with the central authorities and also toward each other. How are they prepared for these conditions?

Virtually all industrial enterprises are substantially obsolescent. Unfortunately, we do not have a branch of industry or even a sector about which we could proclaim, with a clear conscience, that it is at a world level technically. I even doubt that we can say so with respect to one or another of our relatively large enterprises as a whole—those operations or plants which would merit this designation are not capable of effecting any substantial changes in this generally gloomy conclusion. The reasons for this state of affairs are well-known and are connected with the extensive form of development of our economy, with its low efficiency, with managing at the expense of the future.

### The Present

For industrial enterprises, however, the already mentioned obsolescence is not only typical, but so is the fact that this situation is deteriorating still further over the long term. We have conducted empirical research involving hundreds of industrial enterprises and we only rarely encounter an enterprise which is "becoming younger" again, that is to say, one which is improving the degree of write-off for its basic assets (and within this framework, primarily of basic machine assets).

As it turns out, this unfavorable development is not so much the result of a low degree of investment activity, but rather results from a completely unsatisfactory degree of scrapping the basic assets which have been written off (and, thus, assets which are also obsolete). Of course, not even this can generally be fully blamed on the enterprises. Here, a sort of specific spiral develops, the course of which becomes more dynamic as time advances: The obsolescence of basic assets is, among others, connected with the growth of the share of completely written-off basic assets in all of the basic assets combined, which leads to immobilizing the creation of retained earnings for more investment in basic assets. Totally written-off basic assets are not written off, thus leading to the loss of a significant financial resource for the reproduction of the technical base. In view of the frequently very low efficiency of new basic assets, it is not possible to scrap basic assets which have been totally written off for capacity reasons; this tends to further



increase their share in the total of all basic assets and this cycle is repeated again or rather intensified.

In and of itself, this need still not be disturbing, provided the enterprises had a sufficiently high level of accumulated financial resources and suppliers of new equipment, something which could change the given situation in one fell swoop. Both of the above factors remain more in the realm of a pious wish—even though the situation here is not unsolvable (credits, foreign capital investment, purchase of licenses, etc.).

Perhaps a more serious legacy of the past is the deep-rooted stereotypical conduct of enterprises which, in the majority of cases, are accustomed to thinking in categories involved in the fulfillment of the annual directive plan and which have become unaccustomed to think conceptually about their future. For now, for the most part, they do not know how to formulate mobilization goals in their own economic interest—goals which would require the full application of all efforts on the part of enterprise collectives to fulfill. Thus far, many opportunities existed for economic survival without the expenditure of maximum efforts and the conduct of enterprises became adapted to these possibilities.

Even if all of the economic conditions under which our enterprises will be functioning in the relatively near future are not fully known, it is certain that they will be extremely tough, will be substantially tougher than is discernible from the plan figures which were compiled by the indexing method. Moreover, it is necessary to consider that it is possible to create relatively effective counterpressures against this detailed breakdown—just as it is possible to create counterpressures against all administrative instruments used by centralized management. Generally (on a wide scale), it is not possible to avoid the effects of the applied economic pressure which, in the final analysis, affects the amount appearing on the pay slip.

The economic considerations made by enterprises, the calculations of efficiency pertaining to the most varied technical and other intentions, including the efficiency of investments, have reached a substantially low level. It was particularly in this area that, for the most part, calculations were made for the central authorities—understandably with the goal of economically justifying the absolute necessity of a given investment and to prove its high efficiency. The paradoxical effects of this practice are adequately known—although not a single investment was approved which did not promise to make an economic contribution, the efficiency of basic assets, however, is constantly declining....

Sales activities in enterprises is much neglected. They have become accustomed to stable relationships in foreign trade, to the superiority of the seller over the buyer, to the relative stability of prices, etc. They did not undertake any systematic market research and did not compare their products with those which the competition is capable of offering. This is also reflected in the

staffing of sales departments, which is largely underdimensioned. Even opinions regarding the contributions made by individual products or product groups to the economy of the enterprise are very distorted.

In listing the problem areas of our enterprises, it would be possible to continue; however, I have restricted myself to those problems which I consider to be the most important.

### Ways Out

The starting situation for our enterprises is, thus, very complicated and the basic way out of it is a substantial increase in their efficiency. Understandably, this must be different for different enterprises. The one common denominator, however, without a doubt, will be the utilization of the intellectual potential which exists in enterprise collectives, particularly among management employees, and their material interests in the economic effects achieved; this represents our greatest reserve which can, moreover, be mobilized on short notice. I do not mean to imply by this that we have overall good or bad management employees. They include people who are better and people who are worse, just like we have better and worse employees in any other profession.

Nevertheless, it is necessary to draw attention in this regard to two significant circumstances. The new economic system (and not only it) must function in such a manner as to eject incapable, uneducated, and inefficient individuals. The only way to assure a rational selection of management employees is by objectifying the functioning of the enterprises and, thus, also their valuation—something which the radical economic reform should bring about. Secondly, it is necessary to change the situation under which managers were more or less compelled to apply their intellect in areas which did not have a whole lot to do with the efficiency of the enterprise and with the desired performance of its social functions and when the maintenance of the limitations given by the indicators (including a possible manipulation of such indicators) was what was more involved, as well as the need to take into account the relationships with the central authorities and with the political environment. Even this should, naturally, be radically changed. Thus, the irreplaceable function of the manager (and the role of the top manager particularly) will rise to the fore. The situation, which is ripening rapidly, provides a chance for survival only for well-managed enterprises—in other words, enterprises which will be headed by capable, efficient, and talented teams, irrespective of the fact whether they are appointed to their functions or elected. Permit me to draw an analogy.

If, as a soldier during wartime, I was supposed to elect my commanding officer, I would place emphasis on his human profile and upon his high professionalism, irrespective of whether or not I feel him to be personally sympathetic and I will totally disregard the fact that he was or is a member of a certain political party. This comparison could appear to be overdone—however, I

am deeply convinced that it is fully justified and presents the true picture as far as our enterprises are concerned.

The decline of the annual directive plan in its former conception as only a very loose consistent listing of several tens through hundreds of indicators will make it possible for enterprises, and at the same time will compel them, to begin dealing with strategic questions pertaining to their development and will drive them to try as early as today to conduct themselves so as not to undermine their development in the future. Primarily, this means—insofar as they have not already done so—that they will begin to seriously deal with their customers and their needs, pay attention to product innovation and to the entire complex of problems connected therewith.

The relationship of enterprises with respect to efficiency should change completely. In the self-financing mode, they will not be interested in distorting the calculations of efficiency and, on the contrary, they will be interested in seeing to it that these calculations are the most objective possible and that they form a reliable basis for entrepreneurial decisions. The very criteria of efficiency will undergo substantial change—the criterion of return on invested assets will predominate. However, what is most important—under self-financing, the criteria of economic efficiency and the indicators derived from them will form the firm framework for the solution of technical, organizational, and other solutions and will precede, in terms of time, the solution of substantive problems. Under current practices, it is typical for an economist to more or less just “complete the picture” with his calculations for technical substantive solutions and, thus, stands at the end of the decisionmaking cycle.

In other words, it can be anticipated that, under the new conditions, the primacy of economics over equipment will begin to be applied. A situation will arise in which the enterprises will, in their own interests, be creating a set of more synthetic and partial criteria and indicators of efficiency, adhering to which will permanently assure their capability to reproduce with their own forces. In other words, something which we could call a standardization approach toward economics will begin to be applied. We have researched this problem for many years and, as our experiences indicate, it is an approach which is fully applicable in practice. Understandably, these economic criteria cannot be absolutized. They will most certainly be judged in the broad context with the criteria of ecology, humanization of the workplace, etc.

Be that as it may, enterprises will have to learn these new approaches. Thus far, the criteria of efficiency apparently acted against them, against their interests in “surviving along the path of the least resistance.” In the foreseeable future, these criteria will become an imminent component of their entrepreneurial decisionmaking. These decisions involve such radical changes in thinking which will force all previous changes of this kind into the background.

The reproduction of today's technical base of enterprises represents a very complicated problem. Our empirical research and results of modeling indicate that the path to a consistent rejuvenation is not possible without radical increases in the extent to which basic assets are scrapped. The idea that our industrial enterprises will be able to rejuvenate the technical base to its full extent is an illusion.

Of course, insofar as the scrapping of obsolete capital assets is not to be connected with a decline in production, this presupposes the following:

- selective investment activity, aimed primarily at basic machine assets;
- the relatively high efficiency of new basic assets, both from the standpoint of return on the invested financial resources, as well as from the standpoint of performance;
- acceleration of the turnaround of supplies—with the absolute lowering of their levels where possible—so that resources which could serve to finance investments were not blocked.

In other words, on an overall basis, what is involved is a radical turnaround in areas which have long been developing in an unsatisfactory manner in our country. It will be a process which will require much effort and close collaboration among all enterprise functional units which have, until now, been accustomed to sometimes solving problems from their own viewpoint. If, for example, the unsatisfactory situation regarding the efficiency of investments is to be changed, it will be necessary to combine the efforts of enterprise components involved in technical development, technical preparation of production, investment, but also sales, etc., in such a manner that new machines are used for the production of competitive products which we could even sell advantageously. Naturally, the very elimination of obvious inefficiencies in many enterprises could lead to the express growth of their economic levels.

#### Crossroads

The substantial increase in the demanding nature of the conditions under which our enterprises will be operating in a very short time and which are providing many indications of their presence even today can bring about two contradictory reactions:

In the better case, the enterprises will accept these new conditions and will adapt to them, even at the price of sometimes very painful surgical incursions into their own bodies—by changing production programs, by drastically reducing mostly overhead costs, by simplifying management structures, by substantial improvements in the preproduction activities stage, etc. They will, simultaneously, investigate all available ways of attaining high technical levels for production and products, including capital participation by foreign firms—in other words, they will make a transition to true entrepreneurship,

utilizing all potential, particularly the intellectual potential which is available to them at all.

In the worse scenario, old enterprise reactions would be transferred to the new conditions—by resignation, pointing to the insoluble nature of the tasks at hand, by referring to the exceptional nature of the conditions at the enterprise, etc. Some enterprises are proponents of the principle “if the state needs our products, then let it subsidize us,” to this day. This can lead as far as the development of strikes and, thus, to the arising of the “Polish variation”—which, as developments have shown, is untenable in the long run.

The first scenario can cause a number of highly conflicting situations involving the management of the enterprise and individual groups of its workers (under enterprise management, I also mean its self-administration organs which are engaged in entrepreneurial functions). The second scenario would result in a conflict between enterprises and society, when enterprise collectives are unified in essence on an antisocial basis. Of course, both conflicts exceed the boundaries of economics and become political events. Let us hope that the government of national understanding is capable of overcoming the threatening danger.

I am aware that the article cannot capture all shadings of the situation in which the enterprises are embarking upon the reform. The specific situation is highly differentiated—in addition to enterprises which are already ripe for the new conditions today, there are enterprises which are only just beginning to pose a number of fundamental questions for themselves. In addition to enterprises with a highly efficient production, we have enterprises which cling to life strictly on the basis of state protectionist policy. There are economically strong enterprises and there are enterprises on the verge of bankruptcy. Nevertheless, I believe that the principles formulated in the article have general validity overall.

### Self-Management Viewed as Economic Failure

90CH0041B Prague HOSPODARSKE NOVINY  
in Czech 23 Mar 90 p 5

[Letter to HOSPODARSKE NOVINY by Dr. Frantisek Vlasak: “Self-Management Has Yet To Prove Itself Anywhere”—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] In issue No. 9 of HOSPODARSKE NOVINY we reported on an open letter by three Skoda executives in which they favored a self-managed enterprise whose “entrepreneur” and administrator of national property would be the employee collective. In our issue No. 11 we carried the gist of a response by Finance Minister Vaclav Klaus (it was printed in LIDOVE NOVINY). The authors of the letter also received a comment from the first deputy premier of the Czech Government and chairman of the Czech Commission for Planning and Scientific Research Development. He asked us to publish it.

[Vlasak] Even though I was not asked to join the discussion on the draft of enterprise law, I nevertheless feel duty-bound to say a few words on this complex matter.

I fully agree with your entire article in LIDOVE NOVINY of 3 March, with the exception of your defense of a self-managed enterprise. Twenty-five years ago I took part in the deliberations on state enterprise with a workers' council. At that time I was convinced of the efficacy of an enterprise with self-management. Alas, I have to conclude that this enterprise type has yet to prove itself anywhere. It is not because, as you put it, “enterprise employees represented by their enterprise council did not know how to conduct entrepreneurship.” It is primarily because this type of an enterprise commingles two distinct interests which necessarily exist whether we like it or not: the employer's and the employee's. The interest of employees is and from the economic point of view always must be targeted on achieving the highest wage. And this preferably today, rather than tomorrow. It is a natural interest which will not vanish only because we may wish that it should not exist.

The employer's interest, inasmuch as he wants to succeed in hard competition, must focus primarily on the future, on enterprise development, simply on entrepreneurship. And this compels him to reduce costs as the basic requirement of competitiveness; wages represent a part of these costs. Hence in all the well-functioning economic systems there always are conflicts between “workers” and “entrepreneurs,” conflicts which are objectively inevitable. As the Yugoslav experience has shown, the self-management type of enterprise where the two distinct interests are commingled raises the serious risk of seeing the short-term interest in maximizing wages stifle the long-term interest in enterprise effectiveness. The workers' or works council and ultimately the director are elected by the employee collective. Thus they are unable, as experience has shown, to resist their interest in wage increases. In the end they always yield to this pressure because they are dependent (by virtue of being elected) on this collective.

Negotiations we have recently had with some large foreign firms potentially interested in investing capital in our development have indicated to us that the interest evaporates when they find out they are dealing with an enterprise with self-management. This is further reinforced by the fact that some of the world's major banks quite officially warn Western entrepreneurs against entering such compacts. Therefore I believe that we should give priority to such an arrangement in which the enterprise is managed by a responsible board of directors (which must bear significant material responsibility) and which appoints the enterprise director who for his part also must bear a significant material responsibility. Employee interests should not be pressed by means of self-management organs but rather defended by a strong independent trade union organization.

The basic type of an enterprise removed from state control should, in my opinion, take the form of a stock or

other corporation. In a stock corporation it is possible—and such practice is current also in the West—that a part of the shares are sold on a preferential basis, sometimes even below their nominal value, to the enterprise's employees, combining in this way—and only in this way—their interest in higher earnings with interest in the enterprise's development because successful development will give them a material stake even after retirement and so on. I believe that the share-issuing corporate entity will be the best solution for a number of our enterprises and an attractive one for interested parties abroad. Of course this assumes that foreign capital participation will be supervised and regulated by the state.

There remains the problem how to bring into being this type of an enterprise with a board of directors, an appointed director and a strong trade union. Essentially the issue is who should nominate the board of directors if we want it to be fully independent. I agree with you that it should not be the ministry; with that we have very bad experience. Therefore I also disagree with an enterprise that would have a so-called 50 percent participation of the founder. In my opinion the only body which should have the decisive say in setting up a board of directors should be the one bearing full responsibility for the administration and augmentation of the nation's wealth.

In setting up enterprises we will equip each with core assets (in essence the residual value of capital assets including land values, current assets and securities). These so-to-speak natural assets will have to be converted into truly functioning capital funds which however are not given to the enterprise by the state for free. The enterprise pays on it a temporary tax corresponding to the interest rate on medium-term borrowings, which should flow to a special fund as installment payments on these properties. Thus the enterprise's own capital would cost it the equivalent of borrowed capital, which among other things would lead to a certain correction in the well-known disparity of capital funding among enterprises (those which are better equipped pay a larger tax as compared with the poorly equipped ones).

Supervision over these core assets, monitoring of whether they are being increased or diminished, and administration of the fund accruing from the tax mentioned above, should be entrusted to an "administration of state properties" (an embryo of this administration is emerging within the Federal Ministry of Finances). Because this "administration" will bear full responsibility for the fund of national assets, in my view it should be the body to appoint the enterprise board of directors, of course primarily from among its top executives but also including banking circles and highly qualified experts from the industry.

Service on the board of directors must be remunerated and a large part of the compensation conditional on

seeing the time made available for serving on the board reflected in the development and successful operation of the enterprise.

[P.S.] May I ask you to regard these views as my own and not as those of the Government of the Czech Republic.

### Principles of Employment Under Reform Viewed

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in Czech 30 Mar 90 p 5

[Article by Dr. Stefan Karabin, Federal Ministry of Labor and Social Affairs: "On the Principles of the Law on Employment—Economically, Not Administratively"]

[Text] A condition for the good functioning of the labor market is, among others, the establishment of an acceptable legislative legal atmosphere. This role is primarily intended for the law on employment. Its principles were approved by the federal government in recent days. The main goal of these principles is to modify the legal relationships which occur in realizing the constitutional right to work and in establishing new forms for regulating employment.

Together with the labor code and the law on social security, this law will create the prerequisites for assuring individuals the right to work, the right to just and satisfying working conditions, and the right to be protected against unemployment. Which are the main problems solved by the principles of the law?

The principles of the law define the concept of a right to work as the right of citizens who wish to work to work and to look for work, the right to engage in gainful employment, the right to requalify, and the right to receive material support in the event of temporary job loss. In actual fact, this is a right which is guaranteed by the state to all citizens capable of performing work and defines this right not only as a commitment of the citizen to the work process, but also in conjunction with all social and societal consequences which can occur in the labor market.

This is a modern concept of this right which is in harmony with international instruments and, thus, creates the prerequisites for the entry of Czechoslovakia into the international arena. It outlines this right, both from the objective viewpoints as well as from subjective viewpoints, that is to say, it protects the citizen against unemployment and assures him of a dignified life by preparing him for a new profession—in the event of the temporary loss of employment—by requalifying him or by providing material support prior to his entry upon the new employment. It provides the citizen with the opportunity for freely electing his employment, which he may carry out over the entire territory of Czechoslovakia or even abroad.

The principles of the law set the duties for state organs, citizens, and employers. The task of the governments,

state labor organs in the spirit of this law will primarily be the use of a suitable economic and social policy in striving for the attainment of a balance between supply and demand in manpower. In this regard, state organs, both at the federal and also at the republic level, will:

- systematically monitor the situation in the labor market, evaluate it, and adopt measures aimed at achieving harmony between the source of manpower and the objective requirements of the national economy;
- adopt programs providing for the placement of released workers resulting from structural changes;
- provide cost-free information, consulting and mediation activities;
- establish an employment fund and make decisions as to its utilization;
- establish socially useful jobs and organize public beneficial work;
- organize and methodically direct the requalification of citizens, work out appropriate programs in this regard on a national and republic scale;
- adopt measures for the employment of citizens whose working abilities have changed;
- determine conditions for the material support of citizens in the event of the temporary loss of employment.

The state organs will be guided by the tripartite principle and will depend on the cooperation of trade union organizations and representatives of employers. The prerequisite for the successful fulfillment of these roles in realizing the employment policy promoted by state labor organs will be its constitutional nature. What will be most at stake will be the creation of a network of territorial labor offices (in all okreses and larger cities) to provide comprehensive services to citizens in realizing their right to work, both at the federal and also republic level, in addition to central labor organs.

The principles of the law establish the right of the citizen to suitable employment, which it defines as employment commensurate with his state of health, taking into account the citizen's age, specialized knowledge and capabilities, years of previous employment, and the possibilities for finding accommodations.

This is a very democratic provision with the aid of which citizens will be able to realize their right to work. It creates broad opportunities for the citizen to decide on the method by which to enter the working process or which form to select.

The principles of the law devote special attention to those citizens who must be provided with increased care. This mainly involves juveniles after completion of obligatory school attendance, graduates of middle and advanced schools, pregnant women, women and single

men caring for children up to 15 years of age, individuals whose working abilities have changed, etc.

The principles of the law take into account the conditions of the market mechanism and the resulting independence of employers in selecting their employees. It follows that employers can recruit workers not only on the entire territory of the Czech and Slovak Federal Republic (CSFR), but also abroad. Employers will decide on the number and structure of their employee force on their own.

However, the principles at the same time establish the obligations which employers have to inform labor organs of their intentions regarding the development of employment, the duty to inform the labor organization of vacancies, to share in the creation of socially useful jobs and publicly beneficial work, and to inform the labor organ of anticipated structural changes, rationalization, and other measures which could result in releasing workers. It shall also be their obligation to collaborate with labor organs in placing released workers, in supporting their requalifications, and in covering the costs connected with material support for workers released in conjunction with structural changes. Moreover, it will be the specific duty of employers to devote appropriate attention to the employment of citizens having altered working capabilities.

The current situation in the development of employment requires that the law on employment be adopted as rapidly as possible. This will contribute to calming the public which entertains fears that unemployment could occur and that social security provisions might be dismantled, even though, objectively stated, no legal standard can prevent unemployment. Toward that end, it is necessary to create appropriate economic conditions which will contribute to the attainment of full and efficient employment.

### Leasing and Sale of Apartments Viewed

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[Article by Eng Milos Bejbl, Office of CSFR Government Presidium: "How to Rent and Sell Apartments"]

[Text] Breakeven rent and sale of apartments need to be considered as two organic aspects of putting housing as a whole on an economically sound base, and therefore as a necessary step toward creating and fully developing a market mechanism, in other words, a housing market.

The basic question is to delimit and establish a breakeven rent. It concerns a category which basically covers:

- a) costs connected with the use of an apartment, reduced by a possible state subsidy;
- b) costs for the management, maintenance, and repairs of the communal parts of the building; and

c) levies to the state and contractor's profit.

According to directive calculations by the departments as well the opinions of theoreticians, the rent of a routinely appointed three-room apartment in the 1st category ranges from Kcs 160 to 170 a month. But the full calculation of macroeconomic costs expended to provide and operate such an apartment is, under current conditions, roughly Kcs 1,300 to 1,400 a month, that is without any state subsidy. A citizen in that case covers roughly one-eighth of the macroeconomic costs, which is considerably less than it was thought to be.

In this connection it must be emphasized that from the viewpoint of the total cost of housing, this calculation does not include sums which a citizen pays for all the services connected with occupancy, such as heating and hot water, electricity, gas, water and sewerage, etc., which in the future must also be put on a breakeven basis.

#### **Guarantees, But Both Ways!**

Which basic principles should be respected in introducing breakeven rents?

Such rents must be introduced in designated stages announced in advance. Every citizen must have the chance to prepare and adapt himself to the new cost of rentals and choose the quality, size and form of use of the apartment according to what he can afford.

A politically important and basic requirement is the absolutely essential interlinkage of these gradual adjustments with the system of other measures in the wage, price, tax, and social policy. Another important consideration must also be the consequences of the changes in the expenditures for basic items in the market basket of a household, that is, their relation to the expenditures for other items (industrial consumer goods, etc.).

An integral part of these considerations is the exclusion of current reductions of payments for the use of an apartment (dependent children, invalids, etc.); that has to be looked at outside the framework of the rent. Subsidy by the state, if there is to be one, should be given directly to those citizens who really need it, regardless of whether they live in a state or a cooperative apartment or in a family house. The springboard could be an established limit of financial need, that is, those cases where this increase could directly threaten the life situation of the citizen. Because this method carries with it a certain measure of administrative work for the national committees, another, less laborious method could be taken into consideration.

When introducing breakeven rents, the population must have the guarantee that as an equivalent they will receive a contractually agreed upon level of comprehensive services connected with occupancy, or, as the case may be, a gradual increase and improvement of those services. If the agreed upon level of services is not provided, then a right to a comparable reduction of the rent should

be established. The goal should be an efficient and simple system, easily controllable and objective for both sides.

Which course of action to choose?

While introducing market relations in other spheres of the national economy, we cannot delay putting the relationship user-lessor gradually on an economically sound basis as well. It is realistically possible to carry this out gradually to the full extent by the year 2000 at the latest.

In the first stage (directively during 1991) it would be possible to increase rents in state-owned apartments of the 1st and 2nd categories roughly by 120 percent, that is, from the current Kcs 156, as reported in the data of the Ministry of the Interior of the Czech Republic, approximately to Kcs 350, and in apartments of the 3rd and 4th category by 60 percent, that is, from Kcs 84 to Kcs 135 a month. (In the case of the last two categories, possibly only in the 4th category because from the fiscal point of view it concerns relatively as well as absolutely small amounts, introduction of breakeven rents could be waived.) At the same time we should take as the starting point the disparity of prices and costs in the individual forms of housing, where in state-owned apartments people are paying at the present time for approximately one-third of its cost and upkeep, in cooperative apartments not quite two-thirds, and users of family houses four-fifths (after the adoption of the measure for support of the construction of family houses in 1989).

#### **Without Losses In the Future**

The above mentioned measure will eliminate the losses of the housing management enterprises, which administer the housing stock, in the amount of about Kcs 3.5 billion (excluding the losses from the operations of the heating management) and in essence it will equalize the rents in community apartments with the cost of using an apartment in housing cooperatives. Upon consideration, this stage can be further divided or postponed.

A similar approach would be taken in the case of enterprise apartments, where the current yearly loss is estimated roughly at Kcs 1.5 billion.

From the viewpoint of an economical management of the apartments, these measures will introduce in the state-owned apartments the same regime as in apartment cooperatives, so that in essence there will be:

- a full reimbursement for operational, maintenance, and repair costs,
- services connected with the use of an apartment will be paid for fully as well,
- reductions for dependent children and for people with serious illnesses will be eliminated, and the social consequences, which plainly do not belong in price regulations, will be resolved outside the framework of the rent.

This proposal would affect almost 5 million citizens (2 million apartments) who live in community or enterprise apartments.

We have to expect that the extent of these adjustments will place extraordinary demands on the administrative-technical handling of the entire plan. For example, processing of initial information on the outfitting of the apartments, calculations of rents for individual apartments, working out the changes, or, as the case may be, lease supplements, resolving possible controversies with the citizens, devising new programs in housing management enterprises, etc.

Following this stage, it would be necessary in the next stage (best in 1992 to 1993 or even sooner according to national needs) to increase payments for supplied heat and hot water in all apartments, that is, state, cooperative, privately owned, and in family houses. In directive calculations, these increases represent, from the viewpoint of current losses and costs in heat production, approximately Kcs 150 a month.

In this way, subsidies from the state budget for heat and hot water supply in the total amount of Kcs 4 billion, Kcs 2 billion of that reported by the housing management enterprises, would be eliminated.

Carrying out the two stages would mean that in the appropriate year the total costs and therefore also rents for state and cooperative apartments (a three-room apartment of the 1st category) would come to approximately Kcs 700 a month, as compared with about Kcs 370 in state-owned apartments at present.

Further process of putting rents on a breakeven basis, particularly in relation to capital expenditures, would then take place (up to the year 2000) in stages, taking into account measures in the development of the living standard, continuing application of market relations, political atmosphere, rate of possible inflation, etc.

During that time work could begin on possible differentiation of rents according to pre-determined qualitative criteria, from the viewpoint of the location of the building, the placement of the apartment in it, the locale (for example, in Prague, Karlovy Vary, and other attractive locales rents should be higher than in the unattractive Lovosice, Ziar nad Hronem, etc.), proximity to the center, noise level, etc.

The second basic area of the housing policy that requires a change of approach and opening up to reforms is the ownership of apartments.

The cost of housing in the broadest sense includes not only all costs expended in the process of using the apartment, but must also include a full recovery of costs for the construction of the apartment. This principle can be applied and enforced to its full extent above all in cases of individual or private ownership of an apartment. In the future, this type should become the basic

progressive and stabilizing form of ownership of housing, to which the state in the long term should orient itself to the fullest extent.

Although at present a legislative measure has made possible since 1986 the sale of apartments to private ownership, because of a number of administrative and other obstacles such sales are realized only in very limited numbers. (For example, in 1986 there were 237 apartments sold in the Czech Republic, in 1987 only 171 apartments.)

As for the mentioned future preference for expanding the ownership of apartments, a considerable part of our public, practitioners, and theoreticians are currently of a different opinion and prefer to push the cooperative form of ownership.

The reason for that is that housing cooperatives, together with the construction of family houses is, even given the considerable integration, the most significant representation of citizens' participation in resolving the housing problem, and under the current conditions plays an essential role (1 million apartments, property value more than Kcs 150 billion). From the financial cost point of view, the advantage of cooperative ownership is seen in the flexibility of the amount of payments for the use of an apartment, in the development of the costs of occupancy, and in the financial stake of the cooperative members.

In reality, however, cooperative members in today's large units cannot realistically influence the timeliness and extent of the construction and maintenance work. Moreover, this flexible "rent" carries with it a considerable amount of frequent operational wastefulness. In the more long-range prospect of optimal financing and the amount of rights and obligations of a cooperative member, the housing cooperatives will probably play a secondary role. It should play a new and significant role in buildings with privately owned apartments with the task of ensuring common interests, above all the property interests of the residents of the building.

### **Buy an Apartment, But Why?**

What principles should be taken into consideration above all in changing the forms of ownership?

First of all, the citizen must be motivated. The price of the apartment should be set at such a level that from a long range point of view it will be economically more advantageous than renting an apartment at a breakeven rent.

It will be up to the center, therefore, to interlink sensitively the rental and purchase costs of an apartment. The purchase of an apartment or a house must be considered an important, permanent, and in its range of influence significant, instrument of realizing the purchasing power of the citizens, as well as the liquidation of the forced savings and the achievement of balance on the domestic market.

Similarly as in most advanced countries, it will be necessary to establish, according to the economic conditions of the state, an irrecoverable contribution to the individual forms of housing, that is, determine a sum from the resources of the state budget for a housing unit from the total building outlays. This share of the state contribution should be consolidated in the future, so that the economic conditions in all forms of housing would be brought closer together, and if need be, give preferential consideration to that form which will appear the most advantageous when taking into account socio-political factors.

From the point of view of the citizen, we can take as the starting point the recommendation of the European Commission on Housing, according to which the sum should be set in such a way that a young person between 20 and 25 years of age could buy an apartment and pay it off roughly in 20 years, without having it affect his living standard in any substantial way. Of course, with the purchase of an apartment or house into private ownership must also come a guarantee of full disposition rights of the apartment, house, or space other than the living quarters.

Sale of apartments into private ownership should be applied not only to new but also to old housing stock. At the same time, generally the same conditions should apply regardless of whether it concerns a state-owned, cooperative, or privately owned apartment. The basis of the price must be the capital costs reflected in the balance value of the apartment; in obsolete housing stock, the starting point should be a price that reflects the estimated technical condition of the apartment, its amenities, etc.

Newly built apartments should be sold for cash to citizens who are able to meet the price, or with the assistance of advantageous loans granted by savings banks, enterprises, etc.

As for cooperative apartments already built, the possibility should be considered of applying similar principles for selling apartments to private ownership as for state-owned apartments; otherwise, this form should be gradually developed in a new concept, already indicated in the previous paragraphs.

Those apartments which will not be for sale (with the exception of cooperative zones) will be leased to citizens whose income will not allow them to buy an apartment, or to those who for various reasons will not be interested in buying. In those cases the rent should be set, after going through all the stages for putting housing on a fully economically sound basis, according to full macroeconomic costs (with the possibility of state contribution), while there should be financial support for citizens with low income.

The implementation of market relations with a corresponding, more equitable functioning of the social aspects, will make it possible to do away with today's totally ineffective subsidies, it will make it possible to

meet the housing needs of citizens more efficiently and rationally according to the results of their own work. The concern for providing as well as maintaining an apartment will come to the forefront in the hierarchy of life values.

If according to the 1985 microcensus there are almost 5.5 million apartments for 5.3 million joint households, then it can be expected that merely in the way apartments are managed the imbalance, particularly in the structure of supply and demand, will substantially decrease, and the well known forms of speculation in housing management will be gradually removed.

As far as the legislative aspect is concerned, it will be above all necessary to change the civil code (law No. 40/1964), law on housing management (No. 41/1964), proclamation No. 60/1964 on compensation and use of apartments and services connected with their use, law on ownership of apartments (No. 52/1966), proclamation No. 45/1954 concerning the participation of users in the upkeep of apartments, and some others.

Further concretization of the proposed plans, based on expert calculations and knowledge of their macroeconomic consequences, can contribute to the formulation and establishment of a basis for working out the concept of a state housing policy for the period up to the year 2000 in the broadest, not just the indicated, economic sense.

## HUNGARY

### MDF Representative Count Bethlen on Spontaneous Privatization

90CH0114A Vienna DER STANDARD in German  
9 Mar 90 p 18

[Article by Heide Groemansperg: "Privatization Is Overly Spontaneous"]

[Text] So far as Stefan Count Bethlen of the Hungarian Democratic Forum (MDF) is concerned, "spontaneous privatization" is anything but progress. "On the contrary, it is an attempt by the communist cliques to cover themselves and to cash in." But those are not the type of entrepreneurs Hungary needs, declared opposition politician Bethlen, a "devotee of a social market economy," who had in the past been primarily working as a college professor and banker in the FRG, in a STANDARD interview.

He is annoyed about speculation over the future government, which would have him be the deputy prime minister and economics minister of Hungary; he considers this to be an aping of Western election campaigns. However, Bethlen is more concerned about the verbal radicalism practiced in the ranks of the opposition, particularly by the Free Democrats and the Small Farmers' Party. This, he feels, provides the wrong



emphases for the creation of an economic and political framework for a democratic Hungary.

No one would profit, he believes, from a witch hunt directed against people who acted in a decent manner and who did not violate any laws or subvert the public treasury; nor is there any merit in immediately destroying state-owned industries nor agricultural production units.

Conversion according to the principles of a social market economy must come about in an orderly and well-planned fashion, because Hungary must neither create shortages nor raise doubts as to its solvency on the international scene, some of which has unfortunately already happened.

Political ballyhooing of the prevalent mood in the population, which is most familiar with three emotive words—socialism, party, and union—hides the actual unpleasant events. Numerous CEO's of state enterprises, union leaders, etc., have over the years not only acquired super salaries, but private enterprises of their own as well.

Using the equipment and employees of state-owned firms, they accumulated capital and connections which are now frequently used in a Mafia-like manner to become big capitalists. This is sometimes done by juggling firms and credits or the sale of businesses without having title to them.

Adventurers, he says, like those who made millions of dollars from the purchase and resale of the Tungstam works, or those who bought for a pittance the Hungaro Hotels, one of the few active Hungarian enterprises, have been unmasked and similar cases can no longer occur. Some Western firms who were under the impression of having purchased a Hungarian enterprise including the land it stands on, are in for a rude awakening, Bethlen believes, when it turns out that "all they own are the buildings."

What Hungary needs, he says, is "quiet capital" from Austria, the FRG, the Netherlands, designed to help in establishing a middle class economy. There is a challenge for international banks also; small business entrepreneurs have today no way of obtaining startup capital.

Tax breaks will be needed to mobilize entrepreneurial activity. However, their extent will have to await an inventory of cash on hand. Management would surely be an area for making needed economies. One of the most difficult tasks would be to keep it small, but efficient.

Being in the opposition, "we are groping around in a fog for the time being." At this moment, he says, we do not even know the exact amount of our foreign debt, only in general terms. Nevertheless, "fresh money" must be brought into the country.

Bethlen considers the best political startup situation for Hungary to be one with a strong government, a strong

opposition and also a strong union movement. "A coalition in Hungary would mean four or five parties in the government, which would cause it to be preoccupied with itself."

Also, a strong, independent union movement would be more beneficial for economic recovery, Bethlen believes, then would be splintered action groups with which there would be no basis for negotiations. In those respects where Austria's labor-management partnership has been successful, it should serve as a model for Hungary, says Bethlen. He finds it all the more deplorable that neither the German nor the Austrian federations of labor are supporting the creation of independent unions, but that instead they are cooperating with the trade union organization of the old regime.

Hungary would not reject good advice and action from the West. Bethlen himself, who had not himself suffered through the recent decades inside the country, is keenly aware of this receptivity. "That," he says, "makes for optimism, despite all the serious problems."

## YUGOSLAVIA

### Reorganization in Banking System Described

#### Efforts To Achieve Liquidity

90BA0055A Belgrade EKONOMSKA POLITIKA  
in Serbo-Croatian 12 Mar 90 pp 19-22

[Article by Vladimir Grlickov incorporating interview with Petar Vasiljevic, Director of the main branch of the Bank of Belgrade; place and date not given: "Changes To Achieve Liquidity?"]

[Text] Liquidity/nonliquidity is "disturbing" not only enterprises, but banks as well. This has not been the case up to now, since the reference was usually only to the nonliquidity of the enterprise, with always the same causes being constantly reiterated (poor business performance, overindebtedness, excessive burden imposed by interest, taxes, etc.). Does the overall "treatment" of nonliquidity in the banks and enterprises signify that the right approach is finally being taken to this problem? Economic logic indicates that this problem cannot be examined separately (it is not possible for the banks to be liquid, but not the enterprises which finance it with credit). It is worth waiting to see what the next moves will be. If they are aimed at recovery of the nonliquid banks through the market, and financial recovery of nonliquid enterprises through them, then the approach of joint treatment of the phenomenon of nonliquidity would be fully justified. Otherwise, if things again come down to a mere coverage of the nonliquid institutions, more precisely those which are insolvent and are causing the general nonliquidity—then this would be another failure, an abandonment of the established policy.

### The Banks

The liquidity of the banks was abruptly reduced after enactment of the stringent monetary-and-credit measures. Whereas at the end of last year the banks had about 8 billion dinars uncommitted in revolving accounts, by mid-February that had been reduced to less than 1 billion dinars. To be sure, the situation has since that time begun to improve in that the banks (by 7 March) had "scrambled back" to 3 billion dinars in revolving accounts. This could represent the first result of the new orientation toward more rapid collection of receivables and interest from debtors (on behalf of collection, the banks are even using their right to block the revolving accounts of debtors), reduction of lendings, and similar measures.

Without in fact disputing these constructive results, it is worth noting that the liquidity situation is still far from what one could call normal and healthy from a market standpoint. After all, the banks as a whole have a negative balance in revolving accounts. This means that the indicated liquidity of the more than 3 billion dinars we mentioned is furnished by using what are called secondary sources, such as "encroaching" on reserve funds, the legal reserves kept in the National Bank of Yugoslavia, and even the taking of credit for liquidity. The conclusion which might be drawn is clear: the banks would not be able to guarantee liquidity and settlement of obligations when they come due, which according to approximate estimates requires that they have between 2 billion and 3 billion dinars daily, in the normal way, without resorting to "fire-fighting" sources.

All of this once again indicates that the banks as a whole do not have money available in accounts which could be offered for sale on the market. We are referring, of course, to the overall situation of bank nonliquidity, which presupposes that it is not equally distributed among them all. There are probably banks which do not use "fire-fighting" sources at all, on which it is not possible to obtain precise data since this information is considered a "trade secret." All that is accessible to the public is that there are three or four banks which do not use so-called secondary sources for liquidity, since they have uncommitted resources in revolving accounts.

### Attribution of Interest

The nonliquidity of the banks, along with their resorting to secondary sources (their use can never be a sign of business success), has largely been caused by nonpayment of claims related to credits and interest. There are no precise figures on the total size of these uncollected claims, or such figures are not accessible on the grounds that year-end statements are not yet ready. Nevertheless, we can conclude that the amounts involved are "mind-boggling." This can be seen from the datum we nevertheless do know, that the interest unpaid and attributed in balance sheets to the total debt reached about 20 billion convertible dinars last year.

We are talking here about a phenomenon that is not an everyday occurrence for the bank, assuming of course that we regard them as business institutions whose principal objective is to collect interest and build up capital. In addition to their being objectively unable to count on collection from debtors, they deliberately "alleviated" their position. Contrary to the provisions of the accounting system, they have not been collecting interest, nor have they been insisting on charging the interest to the principal of the founders. It turns out that the banks have been acting in an utterly unbusinesslike way, depriving themselves of "live money," all of this with the intention of protecting the enterprise and sociopolitical communities against threatening "social shocks," that is, to "quiet down" the strikes that existed at that time even at the price of completely satisfying the demands that were made for an excessive rise of personal incomes (according to the principle of distribution according to needs, which has now become deep-rooted).

Certainly, the banks, which in spite of the general proclamations are obviously not independent market institutions, will now have to pay the bill, and they are already paying it in that they are cutting back the level of their lendings under the impact of the measures that have been adopted. They are writing off the fictitious interest attributed to debt, or they have to speed up collection of interest, and this will "hurt" their debtors.

But let us go back to the main topic of the liquidity of the banks and enterprises. In this entire maneuver with noncollection and the attribution of the interest to the principal on balance sheets, the banks did have something of their own to gain. They were counting on the logic of the present nonmarket system, which up to now has "forgiven their sins" in that they have always been rescued regardless of any market criteria. More precisely, the banks were counting on the rescue that had been announced through the federal agency and the agencies of the republics and provinces, that is, through the National Bank, which had that role (of providing rescue) before they were established. So, they were not collecting interest, attributing it to the principal and assuming that they would be able to present it (the interest) in the form of contaminated (uncollectible) assets to the agency or the National Bank. Thus, something unusual happened: There was a "competition" in presenting bad assets in the largest possible amounts.

They were assuming that those amounts would be made up from budget (or some other) sources of the agencies, losing at least two facts from view. First, that there is no money in the budget for financial rescue, not even what had been planned. Second, the fact that the agencies or the National Bank did not intend to undertake to cover all the bad assets "presented," as is indicated by its intention in a new audit to clean up the balance sheets of the banks once again, eliminating among other things the fictitious (but attributed) interest—which would be charged to the business results of the banks, that is, to their capital. And that already means some kind of loss for the banks and sociopolitical communities which

stand "firmly" behind them. Ignoring the possibility that this might threaten the survival of the banks, since bankruptcy resulting in their liquidation could do more harm than good, this kind of cleansing could signify a change in the ownership structure of the management of banks which do not wish to adapt to the market criterion of business performance. More essential perhaps is that this would signify a reduction of the bank's capital and beyond that of its opportunity to guarantee legitimacy with its business image to appear on domestic and by God even foreign financial markets to obtain additional capital in the form of credit or to attract an inflow of capital based on ownership.

The second thing which the banks "overlooked" when they undertook the operation of failing to collect and then attributing the interest to the principal is that the power to issue the operating license and also to rescind it if the approved business performances related to the quality and amount of capital are not maintained rests with the National Bank, whose people intend to consistently adhere to the anti-inflationary concept that has been adopted.

It is clear from everything that there is no other way out for the bankers: either they will adapt to the market criteria of business activity and write off the fictitious interest created and uncollected, just as they will now have to indicate it in actual amounts, not "concealing" anything (with the intention of showing themselves to be better than they are)—or they will suffer the penalties envisaged for behavior inappropriate to the market and inappropriate to good business.

Conclusions as to the liquidation of banks should not be drawn from this whole story, since the intention is not to destroy them—but through economic coercion to "force" them to adopt market criteria of business activity. Certainly, the professional support of the bankers is to be counted on not only in the process of equipping the banks themselves for market-oriented conduct of their business, but, perhaps more essential, also in connection with changes in the enterprises which are their founders and stockholders.

After all, it is largely up to the banks to restore the soundness of the nonliquid—more precisely, insolvent—enterprises which have been causing this phenomenon specific to us (general nonliquidity). Together with the National Bank (that is, with the agencies) they would have an important role even in the process of the bankruptcy of enterprises. It is through them that the debts of the enterprise would be written off in bankruptcy proceedings, and they would have the "authority" to "rid them" of everything that represents unproductive ballast. Perhaps more essentially, they would have the role of transforming the ownership of enterprises through securities, above all shares they would come to own, as one of the ways out and a way to guarantee that the old mistakes will not be repeated. The banks, that is, could sell the shares of enterprises previously "restored to health" to private persons, to the state, all depending

on who shows interest in their programs for production and development. Of course, the success of this operation will depend largely on whether a real, which means acceptable, price is offered for future purchasers of enterprises.

#### Example of Beobanka [Bank of Belgrade]

Presumably, no better example than Beobanka could be selected for clarifying the phenomenon of nonliquidity of the banks. Not only because until recently it was said to be a safe institution that was always liquid, but also because it was among the first to accept the new criteria of business operation. This includes the rescuing of the founders, which is supposed to include reformist "restructuring," and that means acceptance of quality new production programs offering a long-term prospect for getting out of business difficulties, even if it means changing their ownership structure. We spoke about all this with Petar Vasiljevic, director of Beobanka, the main branch of the Bank of Belgrade, Joint Stock Company.

[Grlickov] Your bank, as the main branch of the Bank of Belgrade, was nonliquid, something we cannot ever remember having happened before. Since the nonliquidity occurred at exactly the time when your bank became a branch of the unified Bank of Belgrade, could one of the reasons be the organizational changes related to the bank's transition to becoming a branch, and that would mean a loss of power in decisionmaking and in the disposition of capital?

[Vasiljevic] It clearly follows from the founding and normative acts of the Bank of Belgrade that the main branches retain their economic independence, so that they are directly motivated to conduct their business as well as they can. More precisely stated, the main branch has to guarantee its own liquidity, the security of its lendings, the profitability of transactions it "enters into," and maximum profit for its shareholders. However, there were departures from these principles, and this had an effect on the liquidity of the main branches. This pertains above all to removal of deposits from the accounts of the main branches, which took from the main branches the right and possibility of independently managing liquidity within the unified bank. The instruction of the Social Accounting Service had something to do with this, but in part it resulted from the reluctance of the unified bank to organize that matter. Another result was that Beobanka found itself in a zone of marked nonliquidity, since for 10 successive working days it was down to the "legal reserve." During that time, enterprises did not even receive transfers of their inflow of foreign currency, which generated an uproar from founders and a justified doubt as to the bank's business competence. To tell the truth, liquidity has largely been consolidated.

[Grlickov] You do not mention the restrictive monetary- and-credit measures as a reason for nonliquidity, although they are the most frequent topic in banking

circles. It is said that they have been causing nonliquidity even in banks which by our standards are supposed to be "well-off."

[Vasiljevic] To be fair, it should be said that the nonliquidity of Beobanka in this period was not only the consequence of relations between the main branch and central headquarters, but was also a reflection of the markedly restrictive monetary-and-credit policy and of Beobanka's receivables that had come due, but were not collected.

I do not wish to speak specifically about the measures of credit-and-monetary policy, since they are a part of the overall measures of stabilization policy which the federal government is conducting. They also constitute a legal obligation on both the enterprise and the banks, an obligation that is well-known and is taken as a given. Each of them drastically affects the credit potential and particularly the liquidity and rate of income of Beobanka. Especially difficult among them are the restriction and even reduction of lendings by 20 percent from the end of last year, withdrawal of the primary note issue from the credit financing of selective transactions, the high level of the legal reserve (23.7 percent of sight deposits), and that almost without any interest, the depositing of the growth of foreign exchange savings abroad (90 percent of the growth of savings), and the obligation to purchase treasury bills. Although these measures will immobilize more than 4.5 billion dinars and \$100 million in Beobanka alone, Beobanka still accepts them and will apply them strictly so long as they are in effect.

[Grlickov] The banks have been criticized because of the high level of receivables which have become payable and have not been collected. It is even said that they have been conducting this policy of not collecting interest deliberately and intentionally.

[Vasiljevic] Uncollected claims which have become due are a special problem for Beobanka; today, they amount to 5.2 billion dinars, or almost 20 percent of total lendings, of which unpaid interest from last year represents 3.2 billion dinars.

The losses indicated and the nonliquidity of that segment of the economy involved in the bank indicated during 1989 the need for the bank to carry out a partial rescue and financial consolidation of more than 104 enterprises. Among other things the bank also decided to write off claims against the economy which had come due and had not been collected. That is, even on the basis of the year-end statement for 1988 claims were written off to joint income in the amount of 14 million dinars. Later, during 1989, there were write-offs which reached the figure of 1.56 billion dinars in revalued terms. At the same time, the economy was granted long-term credits for consolidation amounting to 1.3 billion dinars, and long-term funds were furnished for the purchase of foreign debts in the amount of \$55.6 million.

There were also sizable write-offs and reduction of interest involving work organizations furnishing municipal services. On the recommendation of the Executive Council of the City of Belgrade, the bank's resources were used to cover almost 100 million dinars for these organizations, while the major portion went uncovered.

In spite of relatively the lowest interest rates of the bank, the write-offs that had been made, and the large reduction of interest during a year, the economy was still heavily burdened because of its high indebtedness with credits and other burdens (taxes, contributions, etc.). It should be mentioned that during 1989 the economy had large needs for additional resources for current reproduction and that Beobanka, thanks to its liquidity, was by and large able to meet those needs. But the economy's indebtedness has grown considerably. Nevertheless, the economic enterprises involved in Beobanka had no serious problems from the bank during 1989 with respect to the use of credit to maintain regular business operation and to pay personal incomes. We felt that a sizable increase in the bank's credit to the economy—even though it was manifested through a growth of its indebtedness and the amount of interest—was a better business move than if we had blocked regular operation by not issuing credit, which is what many other banks did.

[Grlickov] Much is expected from the announced rescue of the banks through the federal agency, which would take over the so-called contaminated credits. This is being given all but crucial importance; not only does financial rescue depend on it, but also major business changes, including transformation of ownership relations, without which the goals of the reform cannot be achieved.

[Vasiljevic] Efforts are being made right now to cover the contaminated credits of the banks and the economy, relying on funds envisaged at the federal level for financial rescue through the federal agency for those matters.

At the end of 1989, Beobanka had total assets of 24 billion dinars. About 70 percent of that amount (or 16.5 billion) represented safe loans, since they had been placed with about 1,500 users—enterprises who are doing relatively good business and regularly meeting their obligations to the bank. About 30 percent (or about 7.5 billion) are the so-called contaminated lendings and have been made to about 106 users—enterprises which have widely differing problems, which are usually not predominantly financial in nature, but have to do with technology, the production program, marketing, the market, organization, personnel, and other difficulties. This is then only consequentially reflected in markedly large financial difficulties. That is precisely the reason for the position that the bank should report all 106 enterprises to the central headquarters for intervention through the federal Agency for Rescue of Banks and the Economy. But without waiting for the outcome of the decision by the agency, Beobanka has joined interested

enterprises in seeking solutions that would in each specific case establish the causes of the poor business operation and would then determine the ways and means of correcting them.

[Grlickov] The rescue is supposed to be done in a manner appropriate to a market economy, with radical changes in business operation, elimination of the unproductive portion of production, and with new market-oriented programs. This certainly presupposes a differentiated approach in rescuing enterprises, since they are not all in the same position.

[Vasiljevic] It has been demonstrated that now that somewhat more radical demands have been made as to the method of operating and doing business, and with financial support from the bank through regular and new transactions, about 40 enterprises can consolidate in the current year.

As for the rest (about 66 enterprises), if radical changes are made in business policy, in operation, in the attitude toward the market, in the value and quality of the product, in the way the enterprise is organized, if personnel is strengthened and there are bold business relations with foreign partners, and also if financial support is forthcoming from the agency and the bank for those programs—their recovery could be guaranteed this year and in the years to come.

[Grlickov] Here, the bank would have a significant role in changing property relations by developing stockholding as the optimum way out of business difficulties.

[Vasiljevic] In any case, Beobanka will use all the resources left to it from last year's business operation, of course, after securing the usual level of profit (12-15 percent) for the earlier founders of Beobanka, to consolidate those 66 enterprises. It will do this following pure business principles: by purchasing "own" shares at a certain premium, by purchasing from enterprises various securities or claims which have not come due at a certain discount, by rescheduling and converting the existing debts of enterprises over longer terms (up to 10 years) and affording a grace period (one to three years)—all the way to various investment undertakings necessary for more economical and sounder conduct of business. It is the assessment of the bank's professional staff services that approximately 1.5 billion dinars from the balance sheet for last year can be furnished for this purpose, on which the necessary decisions will be made by the former bodies of Beobanka—Belgrade Basic Bank. But here we should immediately say that these funds will not be sufficient, at least twice that amount is needed, and that would be provided from the federal agency. Otherwise, it will hardly be possible to achieve stable recovery of all those enterprises. There will be particular difficulties with 10 large Belgrade enterprises (Kluz, PIM [Inland Waterways Construction and Engineering Enterprise], BIO, ILR [Ivo Lola Ribar Machine Tool Factory], IMR [Rakovica Motor Factory], Zmaj, Rekord, DMB, Ikarus). There are also a number of municipal service

enterprises here (GSB [? Belgrade Municipal Transportation Enterprise], Municipal Sanitation, Municipal Power Plants, GVK [City Water and Sewer], and Minel) for which Beobanka itself cannot provide even the level of financing it has furnished up to now without threatening the revival of some 20 other enterprises and indeed even normal operation of the healthy economy and social service activities in Belgrade.

### **Banks' Role in Market Recovery**

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in Serbo-Croatian 26 Mar 90 pp 20-23

[Article by Vladimir Grlickov: "Ownership Through Financial Rescue"]

[Text] The banking system faces a large financial rescue because of losses. This would not be anything unusual for us except that this time the intention is to carry out the rescue on new reform-oriented principles. The losses of the banks, amounting to about (latent) \$6 billion, and according to the last estimates even more than that, when one takes into account the recent uncollectible interest that has been added—are not to be covered through the mechanism "customary" up to now, whose entire wisdom came down to committing primary note issue from the mint. Certainly, the problem of the losses of the banks, that is, of their founders, cannot be permanently "eradicated," although this seems to be something new on the market, solely by "finding" real sources for financial rescue through various methods of increasing the legal reserves of the banks for example.

It makes sense to use the financial rescue of the banks for radical changes. This should not be taken to mean bankruptcy and liquidation of the banks and enterprises as the dominant way out of the difficulties (although such cases are not precluded either), since the situation is so unfavorable that it (bankruptcy), taken in that context, would be more harmful than useful. The intention is to carry out the financial rescue of the banks, and through them the enterprises as well, by making it possible to change the ownership relation, along with a prior "purging" of unproductive and unwise segments of business operation. The banks, then, are to be used as "centers of power" which could make the greatest contribution to the new attributes and conduct of business without losses.

### **The Attribution of Interest**

The question arises, of course, as to whether the banking system is capable and can it assume the role of this new type of financial rescue. If we are to judge by what happened at the end of last year and the beginning of this year, the answer would be in the negative. After all, the banks have not been businesslike; instead of insisting on collection of their claims and reducing their losses, they have easily relented, calculating that by means of the tried and true methods of charging the accounting categories mainly to claims or by renewing the credit, they would go unscathed. The sum in question, according to

the first estimates, was 23 billion dinars, or 35 percent of the total uncollected assets (80 billion dinars), but after the balance sheets were subsequently "cleaned up," it was found that it did not exceed 30 billion dinars. To be sure, in estimating the size of the interest attributed we should take into account the fact that that entire amount does not constitute lost income for the bank, since collection (and posting) occur over a longer period of time not covered by the standing as presented. But it is realistic to estimate that this does not essentially alleviate the position of the banks, since the subsequent collection of interest cannot exceed the sum of 3.2 billion dinars; nor can there be much help here from the blocking of accounts, either of the banks or of the founders, since it is not possible to anticipate collection and inflow from someone who has no money in his account.

This story about the unusually large attribution of calculated interest ought not to be the occasion for placing all the blame for the bad situation on the banks. After all, one of the essential motives, along with the "economic" motive, which counts on the system of "we can cover everything," for refusing to collect the interest is to create "room" for the founders to pay disproportionate personal incomes which were frequently extorted by strikes. The banks obviously cannot be the only ones to blame for such a policy, since the failure to respect regulations on personal incomes, for example, is not in their jurisdiction, just as their jurisdiction does not extend over the lateness in concluding collective agreements on personal incomes—or the fact that there are still dilemmas about whether the change in the ownership structure of founders is a permanent solution for the problems arising because of personal incomes.

It is in fact the example of personal incomes that best shows that a contribution to stabilization cannot be expected from just one segment without general acceptance of the reform policy. The point stands, then, that the banks, however subject they may have been to unbusinesslike logic, cannot carry the large burden of stabilization on their own, with no change in the broader environment.

But the general "climate" is nevertheless changing. So, a start is also being made on those remaining changes in the banking system which are supposed to prevent an attitude on the part of the banks that is not market-oriented and is unbusinesslike. It is above all a question of the intention to definitely omit from the profit and loss statement the uncollectible interest that has been attributed; any minuses on this basis would be covered from reserves as well as from the basic capital of the banks. Presumably, this kind of harsh announcement of the competent people in the government and the National Bank is the reason why the banks are in a big hurry to "find" sources for covering the losses that will occur with the "disappearance" of the (unrealistic) income from the calculated interest. It is above all clear that they will not all distribute dividends to their founders, nor indeed will a majority of them, since they

will be using the profit realized above all to form or replenish depleted reserve funds. To be sure, under normal market conditions these moves on the banks would not be looked on favorably, since the inability to pay dividends is an indication of business competence, which ultimately tends to bring down the price of the bank's stock. To be sure, in our country the conditions are just now being created for this kind of evaluation through the market and establishment of "ratings" of the banks. Even so, all of this cannot but have an impact on the image of the banks, which also represents a kind of price and economic penalty for bad moves that were made and the mistaken assessments that everything would go on in the same old way.

### The Agency for Financial Rescue

The public has been led to expect a great deal from the Agency for Financial Rescue and from the insurance of bank deposits. The banks, and through them the founders, were hoping for big money from the financial rescue, and for a time there was competition as to who could show the largest loss. For example, under the heading of what are called contaminated short-term credits amounts were indicated that considerably exceeded the figure of the \$2.5 billion "offered." In part, because of poor information and in part out of the belief that the financial rescue would be carried out in the old way—in the end, it nevertheless turned out that this was a mistaken approach. After all, the agency and the National Bank which acts on its behalf until it is founded—do not have \$2.5 billion, but only \$175 million, which is the amount coming due in one year on the basis of long-term bonds (at seven percent interest) with which to cover the contaminated credits of the banks. Moreover, even that money is not certain, since in the budget that was envisaged as a source certain difficulties are arising in meeting obligations.

The capabilities of the agency and of the National Bank of Yugoslavia are not great. Here, we must be clear on the point that it is not rescuing the bad assets (loans) of all the banks, but only those proclaimed "right for rescue" (or bankruptcy). According to the criterion adopted, those would be banks which have seen over 50 percent of their basic capital ruined, and the first step in their rescue is to write off the entire amount of their remaining capital. Only then follows a possible rescue by the agency or the National Bank, and then the stipulations would be made to the "prevailing" ownership structure that it accept the new market criteria governing business operation which are related to the formation of capital (and reserves), that is, to profitability, liquidity, and safety of a bank, which must be guaranteed over a lengthy period of time. Unless those criteria are adopted, the ownership structure and management of the bank are changed. Incidentally, application of these criteria related to capital would eliminate any further purpose for the present set of administrative instruments used in monitoring the bank through government limits on lendings.

Given these circumstances, it is possible to alter the relations of the banks with the agency and the National Bank. It is no longer in the interests of the banks to show the largest possible amount of bad loans, just as it does not pay for them to conceal them either, since then they lose the opportunity to be rescued, though there is the question of the most elementary liquidity toward investors.

A particular problem for the agency and the National Bank is that an audit cannot arrive at authentic and uniformly presented income statements. The audit is "biased" in favor of the interests of the various sociopolitical communities and their banks. Thus, there are times when certain types of foreign credits and deposits (amounting to about \$1 billion) are considered risky lendings, although there are no particular grounds for that whatsoever, since the government guarantees them (the credits and deposits). It is obvious that credits and deposits of this kind cannot be considered risky lendings, since in a way they have already been covered under the system of so-called coverage of exchange-rate differences. The problem can, of course, be viewed in a different light if some kind of write-off of these credits and deposits is made possible by transforming them into shares or by selling debts abroad. In this case, the obligation to cover exchange rate differences ceases, that is, the planned budget revenues for those purposes can be redirected to the agency for the purpose of financial rescue and deposit insurance.

Incidentally, the National Bank, that is, its Board of Governors, has adopted a decision to classify credits in five categories according to the level of the risk. Foreign credits and deposits guaranteed by the state are placed in the first group, the least risky. In the second group are credits and guarantees with difficulties in collection in less than 60 days, in the third those with difficulties between 60 and 100 days, in the fourth those which are being rescheduled, and in the fifth the most threatened credits on which payments are delinquent 300 days or more. These, then, are cases where the debtors are insolvent.

Nor are these the only problems of the future agency and the National Bank. It is still not clear whether it will carry out financial rescue according to the old organizational scheme of the banks or will follow a new one which looks only to the new banking systems as a whole, not to the individual "old" basic banks which today are the main branches or branches of the system. It seemed that financial rescue would follow the old scheme and that the individual banks would be rescued, which was judged to be more favorable (even) from the standpoint of the National Bank, since in this way it is possible to provide the coverage in a more detailed way on the new market foundations, while setting up the owner structure in accordance with the principles of business operation which are related to capital (and reserves) and profitability. But for the present this proposal is not "making headway" in the Assembly (which is why the law to cover \$2.5 billion in contaminated credits was not adopted),

since it was felt that individual rescue would actually help those regions which at one time were conceptually the most opposed to this (they advocated strong and uniform bank systems), and only now see that that would not essentially pay off for them, since the "created" capital of the good banks must be used to rescue those segments which have losses.

### Ownership Changes

Rescue of the banks will not be possible unless the debts of the founders (bank claims based on credits) are turned into permanent investments of creditors in the form of shares. To be sure, in the agency and the National Bank an amount of only \$80 million is envisaged for this purpose, which does not come close to the level of interest that is arising for transformation of debts into shares. That is why it is realistic to suppose that the transformation of debts into shares and of socialized founders into share-holding companies, at least at the beginning, will be without sources of "fresh" capital. After all, the sequence of the moves is nevertheless different. First, shareholding should be developed and ownership changed, and only then could one count on new capital.

It is a question of an operation to take over ownership of enterprises which are operating at a loss and cannot meet obligations to creditors. It is in the interest of the banks to take over ownership by buying shares, since under the given conditions this is the most favorable alternative they have in protecting their invested capital from ruin. First, they are being offered an opportunity to obtain dividends on the shares, there is no write-off of the invested capital, and second, they are given an opportunity to secure it (the dividend) by taking over ownership, also acquiring thereby the opportunity to help to equip the enterprise to conduct its business profitably. The intention here would not be for the bank to become, as the jargon goes, the main producer, organizer, and employer of the enterprise, since it does not engage in functions of that kind. The ultimate goal is for the bank to find a new owner; it may (even) be a domestic or foreign private entrepreneur who is able to guarantee profitable business operation. The operation would, of course, be conducted by selling the shares to the new owners, and here the possibility is not precluded that they would get credit from the bank for that (for purchasing the shares).

This model of the transformation of ownership, which would be supported by the agency and the National Bank, can certainly be applied above all through the involvement of the banks themselves (they would earmark 20 percent of their founding capital for that purpose). Skeptics say that at the beginning no spectacular results should be expected because of the small amount being used to turn the debts into shares. One particular problem in view of the "depleted" personnel structure is how to find new owners and management capable of guaranteeing the prosperity of enterprises under market conditions.



It should not be forgotten, however, that "introduction" of shareholding in the enterprise, even when the amount is minimal, does in practical terms constitute the "arrival" of the only defined owner (most of the property is socially owned). But as for a personnel potential capable of doing business soundly, in addition to hiring Yugoslav nationals who have not been used, solutions might also be sought by offering the enterprise to foreign persons.

In all of this, the model of the transformation of enterprises into joint stock companies through the banks is not immune to certain illogicalities. After all, we are still talking about a model on paper that cannot cover all the individual cases. For example, "Beobanka" objects that in the transformation of debts into shares preference is given only to the financially threatened group of enterprises which have the most problems in making payments, while the sounder firms are neglected. It should not be thought, however, that all of this will be done to the detriment of those who are better off. After all, it is not a question of "injecting" fresh capital at their expense, but only of transforming old debts into ownership shares as a way of getting out of business difficulties. Nor should the concept of "ownership" recuperation of the enterprise be disputed because loss of ownership could for some of them mean a weakening of positions, for example, in negotiations that have been initiated with foreign trading partners. On the contrary, the involvement of the foreign partner, especially if he is ready to invest fresh capital, would be welcome.

In principle, the foreign partner could have in the bank a defined owner with whom he can negotiate over buying the enterprise. This eliminates the present anomaly in which the foreign partner does not know to whom to talk to negotiate about an enterprise which is in bankruptcy. After all, in that case jurisdiction passes into the hands of sociopolitical communities and the courts, which conduct a whole set of proceedings whose ultimate goal is not to change ownership, but only to write off the debts without changing the production structure or personnel structure.

[Box, p 21]

#### Calculation Without Losses

The calculation of the Association of Banks, which offers business operation of banks without losses, should serve as a kind of assistance to the Agency for Rescue and Deposit Insurance of the Banks and to the National Bank until the agency is established. The calculation includes (even) the costs of the higher interest rates paid on deposits: the dominant interest rates on sight deposits in the banks is six percent, on time deposits over 90 days it is 11 percent, and over one year it is 18 percent. So, the

calculation assumes a dominant interest rate of the National Bank of Yugoslavia of 23 percent (and only two percent on legal reserves).

In the first variant, when the dominant interest rate on credits is 28 percent, the banks would have a loss of 1.3 billion dinars. In the second variant, assuming an interest rate on credits of 33.7 percent, the banks would realize a profit of 5.5 billion dinars (7.6 percent of charter capital). And in the third variant, which is the most favorable, at an interest rate on credits of 30 percent and a growth of lendings of 12.8 percent, the banks would pay to founders a dividend of 13.7 percent after revaluation (as well as on deposits for over one year).

[Box, p. 22]

#### Transformation of Debts Into Shares

If we look at the overall developments, the legislation, and "Beobanka's" capabilities on the basis of the year-end statement for 1989, a portion of the dubious loans to the economy could be covered with funds from reserves which "Beobanka" has set aside.

About 814 million dinars, according to the bank's proposal, would be used to purchase dubious claims of the bank by purchasing shares with a premium of as much as 70 percent, or by writing off the claims and providing compensation in the funds of the bank.

The principal criteria for selecting the enterprises which would be given this form of financial support are the possibility that this kind of transaction would get them (the enterprises) out of difficulties so that they could continue their business operation more successfully and reduce the level of their indebtedness.

In this manner, assuming radical changes in the enterprises themselves (in engineering and technology, production, sales, organization, and personnel, all the way to abandoning unprofitable production operations and starting up those which are economically lucrative), it is possible to equip 69 enterprises for a successful start under the new conditions on the market. Today, they owe 8.3 billion dinars, and they have 3.2 billion dinars in obligations come due which they have not met.

Along with consolidation by buying the shares at a premium, the bank will also take measures to approve long-term credits for a term of 10 years and a grace period of two years. According to the credit balance sheet, the bank would approve 441 million dinars of credit for this purpose; moreover, it would have to be used to collect the bank's claims which have come due. Distribution of the funds among the individual users was based on their percentage of lendings as of 31 December 1989. The overall procedure for financial consolidation of the economy by purchasing shares at a premium and



by approving new credits would be conducted exclusively under the following conditions:

1. Every user must submit his own program for consolidation of his production and sales so as to show the following:

- the way in which it would work out other elements and sources for overall consolidation and create conditions for successful business operation on the market;
- the production programs being discontinued, what is to be done with technological surpluses of manpower, what programs are being retained and what new ones are being adopted;
- how additional capital is being furnished aside from the credit of the bank by bringing in foreign capital, by issuing bonds and stock, by selling parts of the enterprise on the market or to its own workers, and so on, which would alter the financial structure of capital, ownership relations, and the manner of management and supervision, and would also spread the business risk over several participants.

2. Enterprises must furnish new instruments for securing payment, above all acceptances both for present and also old transactions, and by taking bank mortgages on their property.

3. Complete financial consolidation for the most significant group of organizations requires an additional 1.3

billion dinars, which is to be furnished from the government agencies. It is indispensable, then, to provide written guarantees from the competent government agencies that this portion of claims will temporarily be set in abeyance until the purchase of these claims by the agencies has been taken care of. Through the procedure to consolidate the economy, "Beobanka" has reduced the number of enterprises which are to be rescued to 69. All other enterprises, with regular financial support from the bank for current conduct of business, can guarantee normal operation and development with relative success and independence. But these 69 enterprises will take more than 1.9 billion dinars of resources of "Beobanka" and about 1.5 billion dinars from the agencies. All in all, of the 6.5 billion dinars which the Belgrade economy needs for economic and financial consolidation, Beobanka has committed 3.3 billion dinars, the economy about 1.7 billion dinars through its programs, and 1.5 billion dinars is being applied for from the agency.

"Beobanka" has classified the 69 enterprises in three groups according to the level of indebtedness and the risk for collection of claims. The first group consists of organizations with a high level of indebtedness and a high risk on collection of claims. In the second group are organizations whose level of indebtedness and risk of collection require the measures of financial consolidation. And in the third group are organizations which can continue business operation successfully assuming minimal consolidation measures.

## INTRABLOC

### Slovakian Legislative Body Rejects Hungarian University Proposal

25000724A Budapest NEPSZABADSAG in Hungarian  
27 Apr 90 p 3

[Interview with Zoltan Sido and Gyula Popely, Hungarian nationality representatives in Slovakia, by Tibor Kis; place and date not given: "Will There Be No Hungarian University in Slovakia?"—first paragraph is NEPSZABADSAG introduction]

[Text] Signs indicate that the legislative proposal urging the establishment of the Mor Jokai University in Slovakia will be swept off the table by the federal legislature so fast that it will not even reach the chamber. The threat of this has increased to an extraordinary extent since the Federal assembly's cultural committee once again rejected on Wednesday the proposal submitted by Hungarian nationality representatives Zoltan Sido, Gyula Popely, and Miklos Duray. Our Prague reporter was informed of the ominous developments by Sido and Popely.

[Kis] What is the basis for statements which hold that there is no need for a Hungarian academy or university in Slovakia?

[Popely] The present session of the educational and cultural committee provided some lessons. It was not so much the fact of rejection that surprised me, but the method by which it was accomplished. All in all I can say that the committee rejected even the idea of discussing our proposal with a sense of nervous superiority. Ladislav Kovac, the Slovakian minister for public education, youth, and physical education, said at the meeting that in his view the expressed need for the establishment of the separate Hungarian academy cannot be satisfied because the needed infrastructural conditions are missing. In the future they will establish the Cyrillic and Methodist University at Nyitra [Nitra], and within that they will establish a Hungarian section, according to what he said. Nyitra, he said is particularly to the advantage of Hungarian students because there they will be in closer contact with their fellow Slovakian students, and Nyitra is a "more Slovakian" city than Komarom [Komarno], the site selected for the Jokai University. That is, Hungarian students may exercise the Slovakian language more easily. Members of the parliamentary committee supported this position, conveying their firm view that the idea of an independent Hungarian academy should be fully rejected. There was one who outright condemned the idea that the committee should entertain such "superfluous ideas."

[Kis] And what did you say in response?

[Sido] I pointed out the fact that Nyitra was not suitable for the training of 150 teachers annually, that neither the personal nor the material conditions exist for that. This many teachers are needed unless we want to avoid the

school network of the Hungarian nationality falling into a tragic situation by the end of the century. We proved that it would be easier to establish the necessary infrastructure in Komarom than at Nyitra. Our reasoning had no effect: Only four persons supported our position when it came to a vote.

[Kis] And what are your plans in the situation that evolved?

[Sido] I will resubmit my proposal on Friday to the constitutional committee. It would still go before the plenary session if it is passed by that committee.

[Kis] And what are the chances for passage?

[Popely] I just took a look at the agenda for the early May session. The proposal is not included. This suggests that from the outset, the presidium of the federal assembly—the body that prepares the agenda—does not count on the possibility that the proposal will pass the committee filter. But miracles can happen.

[Sido] If this miracle does not happen, it will mean that the idea of a Mor Jokai University will be dead for a long time to come. Because according to the new law on education which goes into effect next week, the authority to establish an institution of higher education is transferred to the parliament of the republic. Under the present situation I rule out the possibility that the Slovakian legislature would say yes to the idea of a Hungarian university. In submitting our proposal we thought that perhaps the federal assembly would be willing to accomplish this....

## CZECHOSLOVAKIA

### First Private High School To Open in Prague

90CH0051A Prague LIDOVE NOVINY in Czech  
21 Mar 90 p 6

[Article by Drahuse Probstova: "The First Independent Vocational High School in Prague"]

[Text] The last students graduated from the octava [the eighth year of high school] 38 years ago. For a long time students no longer addressed their teachers as "Professor" and the formal "Vy" was dropped when addressing students. First the 11-year schools were instituted, then the four-year high schools. With a little bit of luck, and some understanding from the public, we will no longer be relegated to nostalgic memories. Amendments to the Education Law will permit the existence of private schools. Thus, starting in September, an independent vocational high school will open in Prague.

"Actually the term 'private high school' is incorrect. The absurdity of enterprise in the educational system is obvious. We don't even own the basic capital. What we are more interested in is being independent of the state education system, which can only be helped by high-quality competition—that we intend to provide—when

it is trying to solve the large number of accumulated problems," says Ondrej Steffl, Doctor of Natural Sciences, Candidate for Doctor of Science, a mathematician, sociologist, now a scientific researcher at the Czechoslovak Academy of Sciences, who has extensive teaching experience. He worked out the details of the project for an independent high school with two other proponents: Dr. Jana Strakova and Dr. Lida Knappova. They used the traditions of the First Republic as a base, but incorporated present knowledge from abroad.

It will be an eight-year high school; pupils who have completed the first stage of basic school will be admitted into the first year. To begin with, pupils will be admitted to second- to sixth-year classes; the following year pupils will be admitted to the first and second years; after that it will be to the first year only. Each class will have 20-22 students (at the moment the average in Prague is 36.6). Highly qualified teachers will have a maximum load of 17 classes a week, in other words less than they have now. These facts alone should assure high-quality, as well as very demanding instruction. The school fees will range between 200 and 500 Kcs per month, depending on the amount of the state contribution. Abroad states finance private schools with an appropriate sum taken from the total budget for education. We don't yet know how it will be done here. We must accept the possibility that, to begin with, it will be necessary to finance the operation of the high school, estimated at one million Kcs, exclusively from school fees. But in the future the founders expect scholarships for the most gifted students. They believe that sponsors will be found, that endowments will ensue.... They want to create a modern school which will prepare first- to eighth-year students for colleges and universities of all kinds both at home and abroad, using the highest-quality educational and teaching methods available. As they themselves state, they will emphasize the ability of young people to make decisions and solve problem situations independently, their relationship to cultural and natural values, the development and cultivation of creative thought. Classical subjects and topics (classical culture and Latin, biblical history and law, philosophy, the bases of law), teaching foreign languages with the participation of foreign lecturers will be reintroduced into the high school. The students will have a large choice of elective subjects. It is expected that there will be lectures by leading experts, artists, scientists, and others. The quality of instruction will also be improved by modern technology. The students will attend several weeks of instruction outside Prague every year. They will also be assured regular trips abroad.

There has already been a preliminary response from interested teachers and future students. The students will be chosen on the basis of entrance examinations, a teaching staff will be established through competition. An association of sponsors for the school has come into being, and an advisory committee is being formed.

The only thing still lacking is a building. The founders requirements are not exorbitant. To begin with they

would be satisfied with just eight or nine offices or other large rooms. They do not intend to set up parallel classes. They are quite rightly opposed to gigantic schools. A small independent high school with grand ideals surely deserves a suitable property.

## HUNGARY

### Medicinal Drug Abuse Observed

25000726A Budapest MAI NAP in Hungarian 9 Mar 90 p 9

[Article by (ilisz): "Phony Prescription, Real Danger"]

[Text] Not too long ago we learned that in the vicinity of a school in Buda they were handing out candy laced with drugs. (The method is known. The victim at first accepts the gift, then slowly becomes used to it, becomes enslaved to the drug, and then pays all the money he has to buy the drug.) We reported the case and the authorities were prompt to protest, saying that there was no such thing, and that no panic should be created. It is possible that there really is no such thing (in Buda), but what we are about to call your attention to really exists.

In some Pest County cities—we will not name the specific places in order to permit effective investigation—demand for certain medicinal drugs has suddenly increased. An unusually large number of people are purchasing the Guttahydrocodin preparation which carries no danger if taken as directed by a physician. But anyone can experience joy if the drug is taken with a few half deciliters of alcohol, according to users. The drug is available only if prescribed, yet the addicts find a way to obtain it. They found more than 100 forged prescriptions—real, with forged rubber stamp marks—on a young man, all calling for this medicine.

An even more alarming phenomenon is that in February—again in a Pest County municipality—they found that ten times the usual quantity of Meristin suppositories had been sold. Pharmacists observed that repeatedly the same girls between the ages of 15 and 17 had purchased this over-the-counter drug. One need not mention the fact that this medicine also acts differently if taken with alcohol.

This form of narcomania destroys young bodies even more than hard, natural drugs. It would be a big mistake if the authorities reacted to this warning the same way as they did in the case of candy distributed in Buda. Istvan Sandor who works at the Pest County police headquarters recommends to parents that they watch the medicine consumption of their children, and if they notice signs which suggest narcomania, they should make the effort of calling him at 114-2278 (in Budapest). The police official regards helping as his profession, because he knows what the readers are also aware of: Things exist even if we turn our heads away and keep silent.

**Increase Seen in Desire To Emigrate to Australia**

90CH0143C Budapest VILAG in Hungarian 3 May 90  
p 7

[Unattributed article: "New Destination: Australia"]

[Text] The hysteria of the past week concerning job opportunities in South Africa is being repeated. This time the scene is the embassy of Australia. Several Hungarian newspapers reported that the new Australian Government awaits emigrants with open arms, and that this year they will accept more than 140,000 persons. It appears that the country of emigrants (every fifth inhabitant is foreign born) has opened its doors to Hungarians looking for work.

This is out of the question; an embassy official denied the reports. Although it is true that the news reports are drawing masses to the Australian embassy, the reports have no basis in fact. The rather stringent criteria for emigration have not been changed, and obtaining a permit to settle in Australia continues to be rather complicated. Those seeking to settle for purposes of family reunification have a good chance in competing,

but persons seeking to obtain settlement permits without a sponsoring statement from relatives in Australia have virtually no chance of being admitted. The official route is also lengthy: Every Hungarian official document and certificate must be translated, then, after paying 10,500 forints, one has to wait for a reply for five or six months. Acquiring the permit still does not mean that a person has an opportunity to be employed. That opportunity may be presented later to the Hungarian citizen by the management of the Australian firm that wants to hire the Hungarian citizen and is willing to obtain the needed permits from the immigration office in Australia. Only highly qualified, multi-lingual professionals have a good chance of acquiring the needed concurrence.

Embassy officials believe that only a very few are able to comply with the conditions established by the Australian Government. In addition, only persons who have manifested outstanding performance in Hungary are considered. But such people may make a good living in Hungary now. Information concerning the relaxation of emigration rules is misleading. The embassy officials would like to know the source of the information.

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